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World Business Newspaper http://www.FT.com

WEDNESDAY OCTOBER 30 1996

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Japanese finance

More non-bank casualties coming

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Youth-led service culture

Survey, separate section

Hollywood agrees digital video disc copyright deal

The consumer electronics industry and Hollywood have agreed a copyright protection deal for digital video discs, which play films at a higher quality than video cassettes. The agreement, which aims to prevent piracy, means the first DVD players may go on sale in Japan next month and in Europe from February. Page 13

Paris seeks to defuse Thomson row: The French government tried to defuse controversy over its handling of the sale of the Thomson electronics group to French defence group Lagardère after opposition to Lagardère's plans to transfer the bulk of the group's consumer electronics business to Daewoo of Korea. Page 12; Editorial Comment, Page 11

Electrolux of Sweden vowed to speed up restructuring of its commercial appliances division as it announced disappointing third-quarter pre-tax profits of SKr520m ($79m) down from SKr665m in the previous year. Page 13

Tokyo welcomes dollar's rise: The dollar rose to a nearly three and a half year high against the yen in Tokyo of Y114.92, an increase welcomed by Japanese prime minister Ryutaro Hashimoto. Page 6; Barry Riley, Page 13

EU to avoid labour rights issue: European Union ministers decided to avoid taking a tough stance on the issue of linking trade and labour rights at the World Trade Organisation's first summit in Singapore next month. Page 4; In search of an agenda, Page 11

Call to hold back Bosnian aid: Carl Bildt, senior international envoy to Bosnia, called on aid donors to hold back on reconstruction help until the country's politicians form a functioning multi-ethnic government. Page 2

No Russian growth 'until 1998': Russian first deputy prime minister Vladimir Potanin predicted the country's economy would not start growing until 1998 as tight budgetary conditions and high interest rates restrained growth next year. Page 3

Japan nearer to US 'Star Wars' deal: Japan is closer to joining the US in what would become the country's costliest defence project – the joint development of an advanced ballistic missile defence system described by critics as a new "Star Wars" programme. Page 12

Sea trade at record high: World seaborne trade grew 3.7 per cent last year to a record 4.65bn tons, driven by strong demand for grains, iron ore, coal and other dry bulk cargoes, the United Nations Conference on Trade and Development said. Page 4

Democrats' election funds questioned: The US Democratic party fuelled suspicions about its fundraising activities when it failed to file a full formal report on its campaign finances with electoral authorities. Page 5

Sumitomo trader admits forgery:

Former Sumitomo Corporation trader Yasuo Hamanaka (left), who ran up $2.6m losses from unauthorised copper trades, admitted he forged documents relating to the market losses. The news came as London Metal Exchange chairman Raj Bagri detailed controversial reforms to the market that he wants to implement in the wake of the copper trading scandal. Page 22

SEC to charge CS First Boston: New York investment bank CS First Boston faces charges from the US Securities and Exchange Commission over its underwriting of an Orange County municipal bond offering shortly before the California county filed for bankruptcy in December 1994. Page 5

UN plea for Zairean refugees: The United Nations appealed for Western satellite pictures to trace hundreds of thousands of refugees who could face death as they flee fighting between Rwandan and Zairean forces in eastern Zaire.

Booker prize winner: *Last Orders* by Graham Swift won this year's £20,000 ($31,200) Booker Prize for fiction, the UK's most high-profile prize for literary fiction, awarded to British and Commonwealth writers.

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STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	6,014.85	(+42.12)
NASDAQ Composite	1,210.31	(-5.58)
Europe and Far East		
CAC40	2,125.74	(-24.65)
DAX	2,673.62	(-30.21)
FTSE 100	3,993.5	(-31.8)
Nikkei	20,958.08	(+72.67)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.124%
Long Bond	100½
Yield	6.705%

OTHER RATES

UK: 3-mo Interbank	5⅞%	(6%)
UK: 10 yr Gilt	99⅞	(99⅞)
France: 10 yr OAT	103.76	(103.72)
Germany: 10 yr Bund	101.68	(101.49)
Japan: 10 yr JGB	102.4951	(102.829)

NORTH SEA OIL (Argus)

Brent Dated	$23.27	(24.455)

GOLD

New York: Comex		
()	$381.60	(384.6)
London:		
close	$381.58	(383.15)

DOLLAR

New York: lunchtime		
£	1.61075	
DM	1.50875	
FFr	5.1015	
SFr	1.2545	
Y	114.3	
London:		
£	1.6101	(1.6121)
DM	1.5103	(1.5203)
FFr	5.1075	(5.1335)
SFr	1.2555	(1.2603)
Y	114.10	(114.245)
Tokyo: close	Y 114.85	

STERLING

DM	2.4316	(2.4508)

Albania	LEK 275	Gibraltar	£0.75	Lithuania Lts	15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	LmC.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft273	Morocco	MDh18	Slovak Rp	SK75
Cyprus	C£1.50	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y530	Pakistan	Rs50	Syria	S£90.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal	Esc325	Turkey	L125,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

Six economic institutes say Germany will fail on key monetary union criteria

Bonn warned over Emu targets

By Peter Norman in Bonn and Gillian Tett in London

Germany will fail to meet both the deficit and debt criteria for European economic and monetary union in 1997, the crucial year for determining membership, the Bonn government was warned yesterday.

In their traditionally influential autumn report, the country's six leading economic research institutes also sharply criticised the government for pursuing "hectic" financial policies.

They forecast unanimously that Germany's government deficit would amount to 3.5 per cent of gross domestic product next year – above the Maastricht treaty limit of 3 per cent.

The institutes also warned that government debt would exceed the limit of 60 per cent of GDP this year and rise to about 61 per cent in 1997.

The report plunged the institutes into controversy with Mr Theo Waigel, the finance minister. "You will have to ask Mr Waigel. We don't know his assumptions," said Mr Werner Schatz of the Institute for World Economy in Kiel, when asked how Mr Waigel could predict a deficit of 2.5 per cent of GDP next year.

It also emerged yesterday that France's efforts to qualify for a single currency had been called into question. At a meeting of the European Commission's advisory group of statisticians last week, splits opened between national representatives over whether France should be allowed to use receipts from the partial privatisation of France Telecom to reduce its budget deficit to 3 per cent of GDP.

Central banks and national statistical offices have been asked to submit their separate opinions on the issue by the start of next week in an attempt to resolve the split. The Commission, which has the final power to rule on the issue, insists that a decision will emerge in the coming days. However, some statisticians fear the committee may not be able to reach a decision until early next year – and warn that any attempt to ignore their views could undermine the credibility of the Emu process.

In their joint report on the German economy, the institutes from Kiel, Berlin, Hamburg, Munich, Halle and Essen, said the German deficit would be 4 per cent of GDP this year. To bring the deficit into line with the Maastricht treaty in 1997 would require additional public sector savings of DM15bn, they said.

In response, Mr Waigel pledged that the federal government would continue its "strict consolidation policy" and "create the conditions" for bringing the deficit under 3 per cent next year. "The necessary decisions will be taken with the final discussions on the 1997 federal budget," he said. The minister stressed that strict compliance with the Maastricht criteria was essential for membership of Emu.

However, the federal budget, due to be given its second and third readings in parliament at the end of November, covers only part of public spending and borrowing in Germany. Mr

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German joblessness 'will rise', Page 2; UK economy 'will flourish', Page 7; Lex, Page 12; World stocks, Page 32

US bonds rise on slowdown in wage costs

By Michael Prowse in Washington

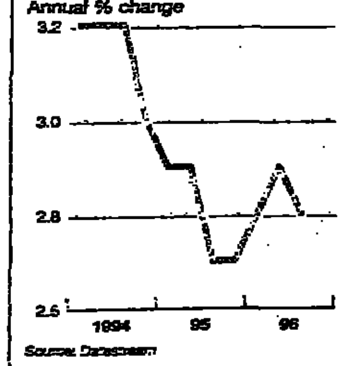
US bond prices surged yesterday after the release of figures indicating that tight labour markets are putting little upward pressure on wages.

The Labour Department said the employment cost index rose 0.6 per cent in the three months ending September, compared with increases of 0.8 per cent in two preceding quarters. Annual growth fell to 2.8 per cent against 2.9 in the year to June.

By late afternoon the benchmark Treasury 30-year bond had gained nearly two points, pushing the yield to 6.69, its lowest level since August. US share prices gained ground with the Dow Jones Industrial Average advancing about 35 points in late trading. The Treasury rally also bolstered European bond markets.

Other figures showed a modest decline in the Conference Board's index of consumer confidence to 106.2 against 111.8 in September, but it remained 10 points higher than a year ago.

Employment cost index



The board, a US business analysis group, said the decline was no cause for alarm, with confidence in nearly all regions "running at relatively strong levels". The wage costs figures surprised many analysts who feared the strong economy would lead to an acceleration. In previous business cycles, the current jobless rate of 5.2 per cent was associated with stronger upward pressure on inflation.

The employment cost index, which includes fringe benefits as well as wages, is seen as the most reliable guide to trends in labour markets.

Mr Alan Greenspan, the Federal Reserve chairman, is thought to regard it as a useful guide to inflationary pressures.

The release today of gross domestic product figures for the third quarter is expected to provide further reassuring news for bond markets – if not for the Clinton administration. Economic growth is widely expected to decline to an annualised rate of 2 per cent or less, against 4.7 per cent in the second quarter.

The combination of slower growth and apparently subdued wage pressures appears to have eliminated the risk that the Fed will raise interest rates at a policy meeting on November 13.

Yesterday's figures showed a decline in both components of the employment cost index. Wages and salaries rose by 0.6 per cent, compared with 0.9 in the second quarter; costs of benefits rose the same amount, compared with 0.7 per cent.

World stocks, Page 32

Record prices were set on the first day of a two-day auction of art treasures looted during the second world war from Austria's once thriving Jewish community. More than $7m was raised yesterday at Christie's in Vienna – more than twice the estimate for the whole sale – for works including the drawing above, The Head of an Old Man by Jean-Baptiste Greuze. Report, Page 12; 'Nazi gold' inquiry, Page 2

Bock sells 18.3% Lonrho holding to Anglo American

By Ross Tieman

Mr Dieter Bock, the chief executive of the UK-based Lonrho conglomerate, yesterday exercised an option to sell his 18.3 per cent stake in the group to Anglo American, South Africa's biggest company, for £257m ($400m).

Mr Bock's decision to step down comes almost four years after he joined the group as heir-apparent to the legendary founder, Mr Tiny Rowland.

He ousted the colourful Mr Rowland from the board last year after almost three years of bruising battles about the group's direction.

Based originally on mining interests in southern Africa, Lonrho grew under Mr Rowland to become a sprawling business with large interests in African trading, hotels and sugar as well as mining.

Last night Mr Rowland, who was once judged by a British government investigation panel unfit to preside over a public company, said: "This is the end of Lonrho. I am disappointed. I had 34 years with Lonrho and enjoyed every minute of it. It is sad to see it going to Anglo because it will just disappear."

Lonrho's principal attraction for Anglo is its 32 per cent interest in Ashanti Goldfields, based in Ghana, which owns Africa's most profitable gold mine.

It also has platinum interests, the Duiker coalmining business in South Africa, and gold prospects in Uzbekistan in the former Soviet Union.

Mr Bock, who paid a total of £135m for the shares in successive transactions since December 1992, is estimated to have made a profit of more than £100m, after financing costs.

The deal, at 180p a shares, lifts Anglo's stake to 25.9 per cent. Shares in Lonrho rose 4½p to 163½p.

Mr Julian Ogilvie Thompson, chairman of Anglo American, said Anglo had no intention of making a general offer for the rest of the Lonrho shares. "Anglo American's shareholding in Lonrho represents a long-term investment," he said.

Anglo would support current plans by the Lonrho board to separate out Lonrho's non-mining businesses.

It is understood that Lonrho expects to complete the sale of its Princess and Metropole hotel chains for more than

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Bock calls time, Page 18; See Lex

Deutsche Telekom keen to bid for South Africa stake

By Nicholas Denton in London and Mark Ashurst in Johannesburg

Deutsche Telekom is pursuing its bid for a stake in Telkom, South Africa's national telecommunications utility, even though it is reassuring potential investors in its DM15bn ($9.9bn) privatisation offering that it is moderating its international expansion.

The German telecommunications company is understood to have hired N.M. Rothschild, the UK merchant bank, to draw up a proposal for a 30 per cent stake in Telkom, expected to cost at least $1.7bn.

The appointment of a financial adviser does not mean that Deutsche Telekom is bound to bid, but the German company is – along with SBC Communications of the US – regarded by advisers as a leading contender for the stake being offered by the South African government.

Although consortium partners would share in the purchase, an investment in South Africa would add to borrowings when Deutsche Telekom is aiming to reduce net debt – DM107bn in June – to DM65bn by 2000.

News of Deutsche Telekom's appointment of Rothschild comes as senior executives – in London this week on an international roadshow – try to convince institutional investors that the company's global ambitions are moderate.

Mr Ron Sommer, chairman, would not confirm the appointment of Rothschild and said any acquisition would have to be justified financially before the company's supervisory board. "The options are there, but what we really do depends on what will provide value for shareholders."

He saw an opportunity in South Africa to apply the experience Deutsche Telekom had gained in developing markets such as eastern Europe. "When I think about South Africa, I think first of what we have already achieved in a similar place like Hungary," Mr Sommer said.

The South African government intends that proceeds from the sale should fund the installation of 4m telephone lines within five years, including 2m in black townships.

KPN, the Dutch telecoms group, France Télécom and Telkom Malaysia – which all qualified to make bids – are expected to join one of the lead contenders as junior consortium members before December, when preliminary bids are due.

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NEWS: EUROPE

Bildt puts aid pressure on Bosnia

By Laura Silber in Belgrade and Bruce Clark in London

Mr Carl Bildt, senior international envoy to Bosnia, is calling on aid donors to hold back on reconstruction help until the country's politicians form a functioning multi-ethnic government.

His message, issued discreetly earlier this month, is part of his policy of using reconstruction assistance to stimulate creation of inter-communal institutions.

In an interview, he said he would seek more clearly defined powers next year to oversee the reconstruction effort, in order to make the use of aid as a political lever more effective.

Mr Bildt, who is responsible for implementing the civilian side of the Dayton agreement, said he believed better co-ordination of aid efforts would help "prevent a clash of bureaucracies in Bosnia". Also at issue, he said, was "the need to get a higher level of economic conditionality", that is the ability to link decisions on economic assistance explicitly to compliance with the Dayton accord.

Bosnia's collective presidency met yesterday for a round of horse-trading over the shape of a new cabinet and influence in government institutions.

Diplomats said Mr Bildt's call for a go-slow on reconstruction aid had already had some effect on the aid flow from the western governments and agencies. No new projects have approved in the past few weeks by the World Bank.

Sarajevo's Moslem-led caretaker government is angry over the call, complaining that its half of the new Bosnian state is being punished unfairly. Officials argue that it is Republika Srpska, the Serb entity making up 49 per cent of Bosnia's territory, which is intransigent, while their own side has already been co-operative enough in forming new institutions.

Mr Bildt's pressure tactics have been applied at a delicate moment in Bosnia's institution-building process. A Serb is expected to be named prime minister since Mr Alija Izetbegovic, a Moslem, narrowly defeated Mr Momcilo Krajisnik, a Serb, in the election for chairman.

Mr Mohamed Sacirbey, Bosnia's ambassador to the UN, said Mr Bildt was seeking an unfair degree of leverage over the Sarajevo government and playing into the hands of Mr Krajisnik.

Bosnian Serb leaders have a strong incentive to accept conditions for the full resumption of international aid since their economy is a bad state and they have received very little so far. However, diplomats say they have shown little interest in demonstrating good behaviour to potential donors.

War may be over but destruction goes on

Laura Silber reports on how ethnic divisions are reinforced by the demolition of homes

A burned-out schoolhouse looms over a sprawling village, where in a single night last week Serbs reduced nearly 100 Moslem houses to rubble to prevent their former neighbours returning home.

Hambarine, in north-west Bosnia, was once home to 10,000 Moslems. Serbs had already wrecked it, however, in the summer of 1992 when they swept across northern and eastern Bosnia, expelling, killing or imprisoning Moslems in camps which lie near these villages of ghosts.

Destruction of derelict but repairable houses, has increased. International officials say it could signal a wider campaign, particularly in the zones of separation, set out under the Dayton peace agreement between Bosnia's two halves: Republika Srpska, the Bosnian Serb entity, and the Moslem-Croat Federation.

By demolishing houses 11 months into the Dayton peace agreement, the authorities in Bosnia are intent on destroying any prospects for the return of 2m and more refugees, a commitment enshrined in the accords.

Last week, Croats burnt down up to 50 abandoned Serb homes in nearby Drvar, a Serb town seized last October by Croat forces. The smoke was still visible at the weekend when Mr Michael Steiner, the German deputy to Mr Carl Bildt, senior international envoy to Bosnia, visited Hambarine and villages round Drvar.

Standing among the ruins in the village of Donja Mahala, 10km from the frontier with the Moslem-Croat Federation, Mr Steiner issued a stark warning to Bosnia's rival leaders.

The destruction of Moslem homes undermined the Serb politicians whose grip on power was confirmed in the September elections, he said. "Every explosion is also an attack on the legitimacy of Republika Srpska."

Serb leaders saw the elections as crucial to winning international recognition of their claim on power, and the right of Republika Srpska to exist. "But you cannot pick and choose from the Dayton agreement. This destroys the basis of the accords and Dayton won't work," said Mr Steiner.

His remarks could herald a policy of denying aid to regions where the authorities destroy the homes of minorities. "I cannot see the international community helping with economic reconstruction with such destruction taking place," he said.

Bosnian Serb leaders, who fought the war for their own separate ethnic state, admit they cannot ban Moslems and Croats from returning, but say Serb refugees have occupied all available housing. The visit to Hambarine, one of several places where homes are being destroyed, "visibly refuted this argument", said Mr Steiner.

In an effort to create a grassroots movement of refugees across Bosnia, Mr Milan Marceta, a Serb refugee from Drvar, and a representative from the Federation were invited to inspect the destroyed homes by helicopter. "The refugees must work together and put the necessary pressure on their leaders to stop," Mr Steiner told them. "Otherwise the refugees will be a factor of instability on both sides. Refugees are not welcome anywhere."

But a relief worker cast doubts on whether displaced Bosnians would succeed in exerting influence on their leaders. "The ruling parties did not heed popular opinion during the war, why would they do it now?" he asked, speaking on condition of anonymity.

With the doors of the helicopter opened to see more, Mr Marceta looked down over the smouldering ruins of Croat-held Zutici near Drvar. His face flattened by cold wind, he pointed to the village he last saw a year ago before fleeing the Croats.

There was no sign of life, but Mr Marceta said he still wanted to go home.

A Bosnian woman gazes from the shattered windows of a block of flats. Damaged but repairable homes are being destroyed to prevent refugees returning to them AP

Wave of international criticism persuades Swiss banks to lift veil of secrecy

Way cleared for 'Nazi gold' inquiry

By Norma Cohen in London and William Hall in Zurich

The stage has been set for the most sweeping investigation ever into the secretive practices of Swiss banks. Its task will be to uncover whether there was a concerted effort to hide the assets of Nazi victims from their rightful heirs.

Six accounting firms are competing to conduct the inquiry, the terms of reference for which have been set by an international investigative committee chaired by Mr Paul Volcker, former chairman of the US Federal Reserve, and comprising three representatives each from the Swiss Bankers Association and Jewish organisations.

The reason why the Swiss banks have agreed to lift the veil of bank secrecy temporarily for the first time in their history lies in the unprecedented international criticism they have endured in recent months.

They have been accused of deceiving governments about their dealings with Nazi officials during the second world war, then lying about the assets they held on behalf of murdered Jews.

The allegations go to the heart of what has always been a central tenet of Swiss banking: that depositors can feel confident that their assets will be safeguarded in perpetuity.

In an attempt to re-establish their international reputation, the banks have promised Mr Volcker's investigators unprecedented access to their records and will allow non-Swiss audit staff from outside Switzerland to assist in the search.

In theory, the task should not be too difficult as Swiss banks are obliged to maintain records of all dormant accounts which have never been closed.

But even before the investigation got under way, it faced a powerful challenge to its credibility. Mr Alfonse D'Amato, chairman of the US Senate banking committee, called for a new investigative committee to be set up without Swiss members.

Mr Volcker insists that he accepted the chairmanship of the committee on the basis that it was the "chosen vehicle" of the Swiss Bankers Association, the World Jewish Restitution Organisation, the World Jewish Congress, the World Jewish Agency and allied organisations to settle the question once and for all. He stresses that this remains the case.

Apart from rebuffing Mr D'Amato's attacks, Mr Volcker has also had to deal with potential conflicts of interest which arise from the fact that virtually all of the world's top six accounting firms have a Swiss bank as a client. This can probably be resolved by hiring more than one firm of auditors. Arthur Anderson is believed to be one of the favourites because it has the smallest Swiss practice.

Other problems are less easy to solve. Forensic accountants seeking a role in the investigation, believe it should search for the middlemen who helped frightened Jews hide their assets.

"It was illegal in those days to take money out of the country," says one expert. "The Gestapo had spies working in Swiss banks. Do you really think that Mrs Goldberg took her paintings and her cash and marched up the steps of a Swiss bank and said, 'Here is my deposit'?"

A more likely scenario, he says, is that those wanting to put assets in a safe place would have used a lawyer or other middleman to spirit them to Switzerland on the owners' behalf.

In 1930s Switzerland, accountants say, legal arrangements allowing the identity of an account's beneficiaries to be known only to the trustee were common. The trustees could have deposited assets in Swiss banks in their own names. Whether some later removed them in their own names is a matter the Jewish organisations would like investigated.

Moreover, the accountants say, there is the possibility that the contents of dormant accounts were removed by people working in the Swiss banks. "That will be the single most difficult issue for us to handle," says a forensic accountant at one US firm. If assets were removed, records relating to their removal could be missing as well.

The terms of reference specifically order the accountants to examine whether Swiss bankers concealed the nature of accounts to avoid having to turn their contents over to claimants.

They stop short of ordering the auditors to examine the records of intermediaries who may have assisted Jews to open accounts in Switzerland. However, they instruct the accountants to interview bank staff "and others with knowledge of the matters under review".

Wartime Jewish concerns halt the sale of controversial Paris apartments

Plans by the mayor of Paris to resolve the controversy over city-owned apartments by selling them off were suspended yesterday because of allegations that they had been expropriated from their Jewish owners during the second world war, writes Andrew Jack in Paris.

Mr Jean Tiberi promised last year to sell or transfer out of city ownership and management some 1,300 flats in 220 buildings across Paris. This followed accusations of favouritism in the way their tenants were chosen and rents determined.

But one of the first sales, which had been due to take place yesterday, was suspended in the wake of the allegations published in the book *Private Estate* last week that some city-owned buildings had been expropriated during the German occupation of France.

An official added that none of the 15 apartments due to be sold on Tuesday was based in the Marais, the principal Jewish district of Paris, but that the sale had nevertheless been suspended as a precaution until all records had been verified.

He said that no further sales would take place for at least several weeks while historians, lawyers and other experts were consulted to determine the previous owners of city-owned buildings. He said "several dozen" apartments might have been expropriated.

Both Mr Alain Juppé, the prime minister and a former close aide of President Jacques Chirac when he was mayor, as well as Mr Tiberi's own son, Dominique, came under attack last year for living in city-owned buildings. That led to Mr Tiberi's decision to set up a commission to investigate the apartments and ultimately recommend their sale.

Top bank officials to quit in Hungary

By Virginia Marsh in Budapest

The Hungarian government is expected to accept the resignation of two senior central bank officials even though the bank's president said yesterday he had asked the prime minister to let them serve until their terms expire at the end of 1997.

Mr Frigyes Harshegyi and Mr Sandor Czirjak have offered to resign from the end of December as central bank vice-presidents over a loss-making foreign exchange contract with an investment fund managed by Creditanstalt, the Austrian bank.

Mr Gyorgy Suranyi, central bank governor, said the two officials had made a professional error that would cost Hungary hundreds of millions of forints but added that, overall, their activities had saved the state far larger amounts.

Analysts suggested the Socialist-led government had decided to take a tough line because of its determination to regain public confidence after an unconnected but highly damaging scandal involving irregular payments to a privatisation consultant. The industry minister and entire board of the privatisation agency were sacked over the matter.

News of the losses, which may exceed Ft3bn ($19m) by the time the contract expires in mid-1998, is also likely to embarrass Creditanstalt whose bid for a majority stake in Magyar Hitel Bank, a leading state bank, is being evaluated along with a rival offer from ABN Amro, the Dutch bank.

The losses result from options given to the investment fund in 1991 and 1992 to protect it against foreign exchange risk arising from devaluation of the Hungarian forint. The granting of such options were common at the time when the country was attracting its first portfolio investors.

Mr Suranyi, who did not name Creditanstalt as the foreign partner concerned, said the mistake involved omission of an option fee from the contract. This had increased the state's losses although he said Hungary would have lost on the contract anyway as at the time the bank had not expected devaluation of the forint to be so great.

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Gaelic TV comes to Ireland

John Murray Brown reports on a cultural landmark

Ireland's first Irish language television station goes on the air tomorrow. Teilifis na Gaeilge – an important landmark in the revival of the official language – is to broadcast three hours a day from a specially built television centre in Connemara in county Galway, an area so remote that even local residents will need new aerials to pick up the transmission.

The project has cost I£17m ($27m) to set up and has an annual budget of I£10m. Some I£7m has already been spent commissioning work from independent programme makers which will be broadcast alongside subtitled English-language drama, documentary and news and current affairs programmes.

The schedule includes daily live coverage of the Dail, the Irish parliament, which is not available on the state broadcaster.

Mr Michael Higgins, minister for arts, culture and the Gaeltacht (Gaelic-speaking area), has been an enthusiastic promoter. The launch represented "an important cultural antidote to the soulless commercial exploitation of audiences" by existing channels, he said, and has urged government departments to use more Irish in official literature.

A recent opinion poll revealed that 42 per cent of the public believes the Gaelic language is "part of our history and our past", while 56 per cent consider it a vital part of Irish culture. Some 26 per cent opposed setting up the channel.

Until it was standardised in 1945, Irish was a language of dialects, its rural idioms ill-suited to modern usage. Modern Irish had ceased to be written in the 17th century and the language of the Gaeltacht had to be taken as authoritative.

In 1893, there were 500,000 native speakers. An unpublished report in 1990 for the Bord na Gaeilge, established in 1975 to promote Irish as a living language, suggested the number of people using it as their first language had fallen as low as 10,000. A 1993 survey indicated only 4 per cent of the population could speak with fluency, a further 9 per cent could understand conversations.

Its revival has been officially fostered through a series of grants and subsidies. Knowledge of Irish was for some time a requirement for the civil service, a rule dropped in 1973, though all teachers must speak Irish.

According to the most recent 1991 census, more than four out of 10 households had at least one Irish speaker. Compulsory teaching of Irish in schools is the main reason for this resurgence. Gaelisconnea, the government body which represents Irish language schools, says it has become chic for middle class parents to send their children to Irish language summer schools.

EUROPEAN NEWS DIGEST

Tsarist bond deal close

Russia, which is about to issue its first sovereign bond since 1917, said yesterday it was close to a deal to appease millions of savers whose turn-of-the-century investments were swallowed by the Revolution. The mainly French savers argue that Russia owes them $30bn. When the Bolsheviks took over, they refused to pay back the bonds, which its predecessors had placed in France from 1880 to pay for railways and other projects.

Itar-Tass news agency yesterday quoted Mr Alexander Livshits, finance minister, as saying negotiators were close to a deal. Russian and French negotiators had agreed repayment would be a "symbolic gesture". He said sorting out the debt would allow Russia to enter the Paris Club of government creditors where it could negotiate a return of outstanding debts from developing countries to the old Soviet Union. *Reuter, Moscow*

Albanian gold dispute settled

One of the last outstanding disputes of the second world war was settled in London yesterday when the Albanian government took possession of £12m ($19m) worth of gold held in the Bank of England since 1946.

The gold, looted by Nazi Germany from the National Bank of Albania, has been held by the British, US and French governments forming the Tripartite Gold Commission.

Albania agreed yesterday to hand over $2m to the UK as compensation for the Corfu channel incident in 1946. Forty-four British servicemen lost their lives when two destroyers ran into an undeclared minefield while exercising their right to free passage in Albanian waters between Albania and Greek island of Corfu.

Britain said the commission would now prepare to distribute the remaining gold to 10 European countries whose reserves had also been looted. It would also examine whether to transfer part of the gold to the World Jewish Restitution Organisation, which handles claims by families of Holocaust survivors. *James Blitz, London*

EU farm talks deadlocked

European Union farm ministers yesterday failed to break the deadlock in their discussions over how to ease the crisis in the EU beef market, increasing the chances that the meeting would end today without agreement.

They were unanimous in calling for more money to help farmers affected by falling consumption and prices as a result of the mad cow disease scare. But they rejected an Irish compromise, backed by Mr Franz Fischler, the agriculture commissioner, which included delaying controversial plans to cut aid to cereal farmers to pay for the beef market measures.

The ministers were also divided over how to reduce production, but a majority appeared to favour of limiting the amount of beef bought into intervention to 550,000 tonnes. Mr Fischler warned that "politically unpalatable decisions are necessary". *Caroline Southey, Luxembourg*

French name telecoms chief

A former top official at the City of Paris is set to be named chairman of France's new telecoms watchdog. The appointment of Mr Jean-Michel Hubert, who was formerly a telecoms engineer, is expected to be confirmed within weeks. The independent regulatory authority, which starts operations next year, will oversee the liberalisation of the French market which is due to take effect on January 1 1998.

Mr Hubert, 57, has worked for the City of Paris since 1986, ending up as secretary general, and worked closely with President Jacques Chirac when he was the city's mayor between 1977 and 1995. *David Owen, Paris*

Berlusconi friend accused

The Palermo public prosecutor has requested that Mr Marcello dell'Utri, a long-time friend and business associate of former premier Silvio Berlusconi, be sent for trial for alleged links with the Mafia. The request, contained in 500 pages of documents, follows an investigation lasting almost two years.

The charges claim Mr dell'Utri had contacts with leading members of the Mafia and used his influence to benefit the heads of organised crime. The prosecution case rests in good part on the testimony of 17 *pentiti* – former members of the Mafia who are co-operating with justice under witness protection programmes. His lawyers yesterday denounced the charges as groundless.

Mr dell'Utri, who comes from Sicily, was elected a deputy for Mr Berlusconi's Forza Italia movement in last April's general elections. He was instrumental in setting up Publitalia, the nationwide advertising network alongside Mr Berlusconi's television empire.

Last week a Turin public prosecutor requested he be jailed for five years for alleged false billing at Publitalia. *Robert Graham, Rome*

EBRD backs Warsaw project

The European Bank for Reconstruction and Development and Austria's Creditanstalt Bankverein have arranged $58.7m financing for the new Warsaw Financial Centre, the largest private sector office development in central and eastern Europe.

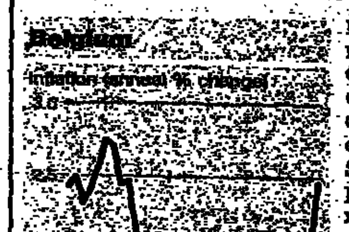
The $115m project will provide 50,000 rentable square metres of office space by the end of 1998 in a city whose shortage of high quality office space has raised rents close to the highest in Europe. The development by the Golub Rackiewicz Epstein partnership is expected to enhance Warsaw's growing role as a regional headquarters for foreign investors.

General Electric capital corporation is a shareholder in Chicago-based Golub and has signed a commitment to take space in the building. *Anthony Robinson, London*

See Polish survey

ECONOMIC WATCH

Prices edge up in Belgium



Belgian consumer prices rose 0.29 per cent in October from a month earlier and were up 2.46 per cent year-on-year, the economy ministry said. In September, prices fell 0.20 per cent from August and rose 1.97 per cent from a year earlier. In October, the so-called health index, which is used for indexing wages and rents, rose 0.16 per cent from a month earlier, the ministry said. The higher consumer prices were mainly due to rises in petrol and diesel fuel and fresh fruit; prices for fresh vegetables and flowers declined. *AFX, Brussels*

■ Italy had a L2,898bn ($1.9bn) balance of payments surplus in September compared with a L4,005bn deficit a year earlier. The current account surplus was L1,398bn compared with a deficit of L5,507bn.

■ Swiss consumer prices rose 0.2 per cent in October from September and were up 0.8 per cent year-on-year.

■ The Finnish trade surplus in July totalled FM3.16bn ($695m) compared with FM2.181bn a year earlier.

NEWS: EUROPE

Joblessness in Germany 'will rise'

By Peter Norman in Bonn

The good news, Germany's six leading economic research institutes reported yesterday, is that Germany, together with most other leading industrialised democracies, has overcome last year's phase of economic weakness.

The bad news is that next year's forecast real growth of 2.5 per cent will do nothing to solve the domestic problems of high and rising unemployment and the stalled process of eastern Germany catching up with the affluent west.

In their autumn report, the institutes from Berlin, Munich, Hamburg, Kiel, Essen and Halle are unanimous in warning that there is no chance of a significant drop in unemployment from the current level of just under 4m.

"That would require a distinctly more dynamic economy than can be expected at present and for a number of years," they said. In eastern Germany, where growth next year is expected to lag western Germany, "there is no sign of a self-sustaining economic upswing".

The institutes are sharply critical of two trends. Bonn's financial policies increasingly bear the imprint of "hectic actionism" as Mr Theo Waigel, the finance minister, takes emergency measures to plug gaps in the federal budget.

The institutes expect state spending will fall next year as a share of gross domestic product for the first time since unification, dropping by 0.4 percentage points to just under 50 per cent of GDP.

However they say the government risks losing sight of its medium term aim of reducing the share of state spending to 46 per cent of GDP by 2000.

To meet this "very ambitious" goal, there will have to be very sharp cuts in the growth of public spending.

The process of budget consolidation is made more difficult by conditions in eastern Germany. The institutes say the Bonn government should review critically the transfers of public funds to the east.

Unit labour costs in eastern Germany have risen since 1994 as wages have been raised towards western German levels. The report warns that "the labour market outlook in eastern Germany remains bleak" and forecasts a jump in the region's jobless rate to 16 per cent next year from 15.5 per cent in 1996.

It says a wage freeze "over some years" is unavoidable if eastern Germany is to experience a genuine economic recovery.

The institutes say the acceleration of growth in Germany since the spring mainly reflects more buoyant conditions in export markets and an expansionary monetary policy. While the report assumes that there will be no further cuts in the Bundesbank's key interest rates, it expects no increase in either long or short term rates before the second half of 1997 at the earliest.

Main points of the forecasts

	1995	1996	1997
GDP (annual % change)	1.9	1.5	2.5
of which:			
Western Germany	1.6	1.5	2.5
Eastern Germany	5.3	2.0	2.0
Unemployment ('000)	3,612	3,945	4,000
of which:			
Western Germany	2,565	2,785	2,800
Eastern Germany	1,047	1,160	1,200
Unemployment rate (%)	9.4	10.3	10.4
of which:			
Western Germany	8.3	9.0	9.0
Eastern Germany	14.1	15.5	16.0
Consumer prices (ann. % change)	1.8	1.5	1.5
of which:			
Western Germany	1.7	1.5	1.5
Eastern Germany	2.1	2.5	1.5
Unit wage costs (annual % change)	1.1	0.5	-0.5
of which:			
Western Germany	0.9	0.0	-0.5
Eastern Germany	1.6	1.5	1.0
Government deficit (DMbn)	122.6	144.0	126.5
Current account deficit (DMbn)	30.1	26.0	15.5

Source: Joint Report of Six Economic Institutes: (DIW, Berlin; HWWA, Hamburg; Ifo, Munich; IWW, Kiel; IWF, Halle; RWI, Essen).

Russian growth 'will not resume until 1998'

By Andrew Gowers, Chrystia Freeland and John Thornhill in Moscow

Mr Vladimir Potanin, Russia's first deputy prime minister, predicted yesterday that the country's economy would not start growing until 1998 with tight budgetary conditions and high interest rates continuing to restrain growth next year.

"I think next year will be some kind of preparation year for the better life. We expect stabilisation of GNP in 1997 and an increase in investments but the real results will be achieved starting from 1998," he said.

Mr Potanin's cautious assessment contrasts with previous government suggestions economic growth would resume this year, reaching annual growth of as much as 10 per cent by the end of the decade.

In an interview, Mr Potanin was confident the International Monetary Fund would resume disbursing its $10.2bn budget-support loan next month when the government's efforts to improve tax collection will have borne fruit.

Last week, the IMF threatened to suspend disbursement of the credit because tax revenues had been falling well short of agreed budget targets.

Mr Potanin gave a strong pledge that Russia would stick to its budget targets this year even if it meant further cuts in government spending – already squeezed to the extent that wages are not being paid in large parts of the public sector. "A higher deficit is not a solution. It is the way back," he said.

Mr Potanin added Russia would also stick with the 3.3 per cent budget deficit target for next year despite parliamentary pressure to revise next year's draft budget.

The 35-year-old Mr Potanin said that the government had already achieved low inflation and a stable exchange rate for the rouble and that lower interest rates were all that was needed for growth to resume. "As soon as we have normal rates it will be interesting for institutions to invest in industry," he said, pointing to a high rate of domestic savings.

The first deputy prime minister, formerly head of one of Russia's largest commercial banks, backed calls by the IMF for increased access by foreign investors to the government debt market. The proposed move, which would drive down the cost of borrowing throughout the economy, is being resisted by a number of banks. "From my point of view, there is no objection at all," he said.

Mr Potanin suggested that more of the tax burden would eventually have to be shifted from corporations on to individuals. Russian citizens contributed only 2.5 per cent of federal tax revenues compared with 15-20 per cent in developed countries.

"We need deep reform because taxes are not only high in volume but very numerous. They are very difficult to understand," he said.


First deputy PM Potanin: expects GNP stabilisation

Call to raise Dutch corporate accountability

By Gordon Cramb in The Hague

A commission charged with giving shareholders a greater say in the Dutch corporate sector yesterday produced long awaited proposals aimed at increasing the accountability of managements and diluting the business clout of the country's old boy network.

The reforms put forward by the Corporate Governance Commission, set up by the Amsterdam Stock Exchange Association and the Association of Securities Issuing Institutions, call for no changes to the law or even to bourse rules.

The commission headed by Mr Jaap Peters, former chairman of the Aegon insurance group, puts the onus on listed companies themselves to adopt its recommendations – and on shareholders to demand at next year's annual meetings that they do so.

"We would have preferred more concrete proposals than this," said Mr Pieter Paul de Vries, director of the VEB, the Dutch shareholders' association.

Chief among proposals in the commission's 40-page preliminary report are that:

■ Shareholder meetings should allow voting by proxy, a system which until now has been all but absent in the Netherlands although urged by similar panels in the past. Many companies lack even a full share register, leaving such record keeping to banks.

■ Both the executive board and the separate supervisory board "must have the confidence of the meeting of shareholders."

■ The annual report should specify separately the remuneration received by current and former directors. It should also give an account of the "corporate goals, strategy and associated risks and the mechanisms in place to manage risks of a financial nature."

■ Supervisory board members should "fulfil their tasks without a mandate from those who nominated them and independent of subsidiary interests associated with the company."

■ No more than one former executive director should sit on the same company's supervisory board. Moves to install that director to head the supervisory board should get special scrutiny.

One case in point is Mr Jan Timmer, who retired this month as president of Philips, the electronics manufacturer, only to be accorded the chairmanship of its council of notionally independent supervisors. "I would not have done that," Mr Peters remarked.

■ The number of non-executive positions an individual should hold should be limited. Mr Peters said his own four such roles at listed Dutch companies was "enough".

Auctioneering profession will be put on a commercial footing

France sets date to open up its art market

By Andrew Jack in Paris

Moves to open up the French art market to foreign competition and put the auctioneering profession on a commercial footing will be complete by the start of 1998, the French government pledged yesterday.

Mr Jacques Toubon, the interior minister, said draft legislation would be circulated next year to allow auctioneers – or *commisseurs priseurs* – to increase their charges and operate for the first time as commercial enterprises.

Under the proposed reforms, French auctioneers will abandon the practice, which dates to before the Revolution, of buying from the state a *charge* – a right to operate.

The state limits the number of auctioneers, who must work as individual, self-employed professionals and under tight state supervision.

In future, auctioneers will be allowed to make profits, limit their personal liability and merge into larger groups.

Young members of the profession, who have incurred substantial debts to buy their *charge*, will receive compensation through a scheme funded not by the state but from a levy on sales of works of art.

The modifications will open the "voluntary" French market to commercial rivals including Sotheby's and Christies, but will not affect the 30 per cent of sales currently carried out as a result of court-ordered liquidations of assets.

Auctioneers will be forbidden to buy works of art on their own behalf, and a market regulatory body will be created to supervise sales. The auctioneer's guarantee of a work's authenticity is also being reduced, from 30 years to ten.

Speaking at a one-day seminar for auctioneers on the planned reforms, Mr Toubon expressed concern about the UK's continuing exemption from EU-wide rules harmonising the European tax system for the art.

The UK still has a rate of value added tax on art imported for auctions of 2.5 per cent, compared with 5.5 per cent in France and other European Union countries – the UK will have to fall into line with the rest of the EU in 2000.

Mr Philippe Douste-Blazy, the minister of culture, yesterday called for extension across the EU of the French laws under which artists or their heirs receive 3 per cent of the proceeds of the sale or resale of any works up to 64 years old.

He also promised to put forward proposals by the end of this year to prevent the export of works of national importance.

NEWS: INTERNATIONAL

Israeli MPs may reject budget cuts

By Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, today faces possible defeat when he attempts to push a Shk4.9bn ($1.5bn) cut in the budget deficit through parliament.

Last night, senior members of the Likud parliamentary grouping were lobbying hard to persuade its six coalition partners to accept the first reading of the budget – presented to the Knesset yesterday by Mr Dan Meridor, the finance minister. The vote is expected today.

If the budget cannot be passed by next March, new parliamentary elections must be held by law.

A majority of the parties remain opposed to cuts, which are aimed at trimming the budget deficit to 2.8 per cent of gross domestic product next year. This year the budget deficit is expected to reach 4 per cent. The government's longer-term economic strategy is to curb the deficit to 1.75 per cent of GDP by 2000.

Mr Meridor refused to amend his plans despite calls by the defence ministry for an additional Shk3bn as well as mounting criticism from trade unions, which claim the cuts would hit the less well-off. Mr Meridor warned that the government would have to take "more difficult steps in the coming years" to cut public expenditure.

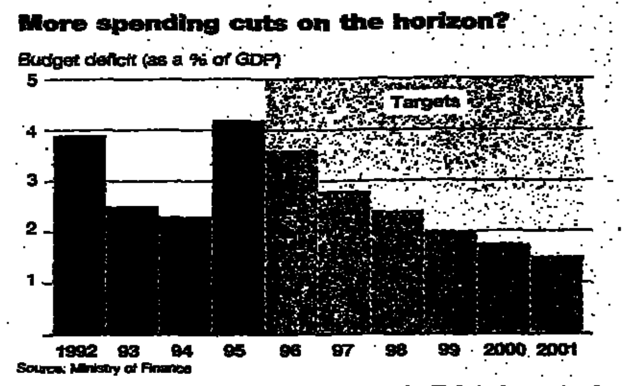
Public expenditure, which this year will amount to Shk145.6bn, less debt repayments, accounts for 47.6 per cent of this year's projected GDP. The government is aiming to reduce it to 46.7 per cent next year, with a planned expenditure of Shk165.4bn, less debt repayments, and to 45 per cent by 2000.

Likud deputies were yesterday trying to brush aside suggestions that the fractious coalition was in jeopardy. "The prime minister will have to weigh up the balance of forces within the coalition. But the coalition knows what is at stake," said Mr Ruby Rivlin, a prominent Likud backbencher.

But Mr Yigal Bibi, deputy ministry of religious affairs, was less certain. "Under the Labour government, our [ministry] budget kept being cut back. We are seeking assurances from Likud that this will stop and more expenditure will be allocated to us." The labour and welfare ministry, which is headed by an ultra-Orthodox minister, is planning to allocate a further Shk43.6m from its public institution budget to 250 ultra-Orthodox yeshivas, the Judaic studies centres, for boarding students.

More spending cuts on the horizon?

Budget deficit (as a % of GDP)



Source: Ministry of Finance

Netanyahu, right, addresses exporters in Tel Aviv yesterday

US sanctions are Gadaffi's greatest fear

Threats to oil sales worry the Libyan leader and help him manipulate opinion at home, writes **Roula Khalaf**

The grocer on Tripoli's Gargarech street, the capital's shopping strip, becomes defensive when asked about the price of a can of Coca-Cola: "I only make one dinar in profit. I buy a 24-can box at 19 dinars and sell it at 20," he says.

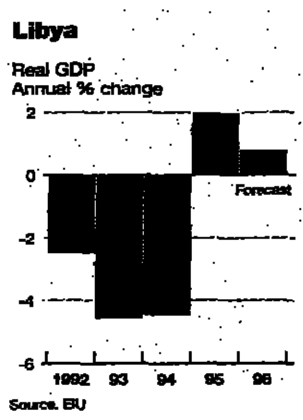
He has good reason to be suspicious of strangers' inquiries. Since May, Gargarech shops have been harassed by officers from the "purification committees" revived last spring and unleashed by Col Muammer Gadaffi to curb "speculation and corruption".

The committees are destroying the once flourishing private import business which enriched a merchant class Col Gadaffi has traditionally been wary of and fuelled a black market where a dollar sells for three dinars – instead of the artificial official rate of one dinar for three dollars.

Young men selling bread from stands in popular markets roam around foreigners, offering to sell them dinars even though changing money on the black market carries the death penalty.

Libya

Real GDP
Annual % change



Source: EIU

The clampdown is vintage Gadaffi. The Libyan leader maintains a close grip on power by keeping everyone off guard, constantly elevating some groups at the expense of others and bringing down those that seem on the rise.

His shuffling of the cards is facilitated by the fact that Libya exists in a state of "organised confusion", as one diplomat describes it. Libya is a *Jamahiriya*, or state of the masses. It has no constitution, no political parties and no head of state.

Instead, Libyans are led to believe their system is uniquely great because they hold the power by belonging to 300 congresses, each having an executive popular committee which can effectively take some decisions on a local level. Federal decisions, however, are decided in the General People's Congress, which acts as a rubber stamp for Col Gadaffi.

Earlier this year, Col Gadaffi created a new class of policymakers to rival nominees to general congresses. He divided the country into 48 zones instead of 14 regions and, for each zone, nominated co-ordinators called "People's social guides".

It is the army that seems most in favour these days, assuming civil duties such as tackling crime on Tripoli's streets. Army officers make up the dreaded purification committees. The army's ascendency may reflect Col Gadaffi's increased vulnerability. Islamist groups have been battling security forces in the area around Benghazi and Jabal el Akhdar in the east for more than a year and reports of coup attempts are so widespread it would seem Col Gadaffi escapes death on average once every two months.

Closing down private businesses makes little economic sense in today's Libya, where the economy is 70 per cent controlled by the state and growth has been negative for three of the last four years. But economists say Col Gadaffi runs the economy on an *ad hoc* basis, with little planning and, often, not much regard for efficient use of resources.

What seems far more important to him is that the purification drive can be popular with many Libyans. At an average monthly salary of 300 dinars ($100 at the official rate), few Libyans can afford the Italian-made chocolate and cheeses sold on Gargarech street. Libyans complain that prices of household appliances, for instance, are inflated by three or four times by middlemen.

There is another consideration. According to officials at the ministry of information, the clampdown on importers is driven by Libya's need to build up foreign reserves to fight off perceived US attempts to strangle its economy.

It seems rumours have been circulating in Tripoli that the US is scheming to extend sanctions to prevent Libya from selling its oil. This is Col Gadaffi's greatest fear. So he is accumulating foreign reserves – which today stand at about 10 months of imports – to be ready to defend the currency.

The stand-off with the US has turned out to be a convenient tool for Col Gadaffi, skilfully manipulated to rally popular support. The US has fed this hostility by branding Libya a pariah state. In 1986, the US bombed Tripoli and Benghazi in retaliation for what it believed was Libyan involvement in a bomb attack on a Berlin discotheque.

In 1992, the United Nations imposed sanctions on air travel and the sale of military hardware and spare parts to force Libya to hand over two suspects in the 1988 bombing of a US airliner over Lockerbie, Scotland. Despite Col Gadaffi's attempts at co-operation with the UK and France on terrorist issues, and his offer to send the two suspects for trial at the International Court of Justice in The Hague, the sanctions were tightened in 1993.

Earlier this year, US officials accused Libya of hiding the world's largest chemical weapons production plant inside a tunnel in Tarhunah, 40 miles south-east of Tripoli and did not rule out a military strike against it. Meanwhile, US President Bill Clinton signed legislation which allows him to impose sanctions on companies investing more than $40m in energy sectors in Iran and Libya.

By isolating a country which already seems to live in its own world and is fed a daily dose of Col Gadaffi's quirky theories on life compiled in his famous "Green Book", the sanctions have the perverse effect of bolstering the Libyan leader and reinforcing a deep resentment of the US.

INTERNATIONAL NEWS DIGEST

Palestinians on aid trail

Palestinian officials on a European fundraising tour with World Bank, International Monetary Fund and United Nations delegates, yesterday asked the UK for help to cover the Palestinian Authority's budget and for regular annual aid commitments to the Palestinian territories. The visit to London was part of an effort to raise $20m to cover the fourth quarter of this year's $50m budget. Italy last week promised budgetary aid of $5m and a similar amount is expected from the UK, Switzerland and Belgium – the last legs of the tour.

Simultaneously, Mr Yassir Arafat, president of the Palestinian Authority, urged Norway to press donor countries to honour their aid pledges. Palestinian officials say pledges have totalled $2.8bn since 1993, but only $1bn has been disbursed. "This year has been particularly bad," said Mr Nabeel Shaath, Palestinian minister of planning and international co-operation. "Probably no more than $200m was actually disbursed, but what has gone into the income stream is probably less than $50m."

Mr Shaath believes that this year's thin trickle of aid is a direct result of frequent closures of the Palestinian territories in the wake of Israeli security alerts. "The closures made it very difficult for donors to spend money, transfer goods or to get permits to start projects, particularly in the areas like harbour, airport and other projects," he said. *Alexandra Capelle, London*

Mobutu imposes military rule

Zaire's sick and absent president yesterday sought to reassert his authority in the war-ravaged east of his country, where Tutsi rebels have seized towns and displaced hundreds of thousands of refugees. The conflict threatens to drag in Zaire's neighbours, Rwanda and Burundi, and some believe it could presage the break-up of Zaire, a giant at the heart of Africa.

A government spokesman in Kinshasa said President Mobutu, sending orders from a Swiss clinic, had placed the eastern provinces of South and North Kivu under military rule in an attempt to contain the warfare. In the lakeside city of Bukavu, from which more than 100 foreigners have fled since the weekend, looting by soldiers diminished yesterday. But it was not clear whether Mr Mobutu, who since August has been in Lausanne for prostate cancer treatment, had the military muscle to win back lost territory quickly. Underlying the violence is the Hutu-Tutsi rivalry that exploded in the 1994 massacres in Rwanda of up to a million Tutsis and pro-opposition Hutus by hardline Hutus. *Reuter, Bukavu*

ANC wins education vote

South Africa's National Assembly yesterday passed the controversial schools bill to break the white stranglehold on state funding for schools. Despite strong opposition from the white-led National party and the white separatist Freedom Front, the African National Congress secured 232 votes in support of the bill against the 201 votes needed. There were 71 votes against the bill, which now goes to the Senate for approval. The bill will also introduce compulsory schooling for black children and a single syllabus for all schools.

Until now, the state has spent up to four times as much on white children as it does on black children. The National party failed in last-minute attempts to amend the bill to soften the impact on predominantly white Afrikaans-language schools. *Reuter, Cape Town*

NEWS: WORLD TRADE

Defiant oil groups in Burma gas deal

By Ted Bardacke in Bangkok

A consortium of international oil companies yesterday brushed aside the controversy surrounding investment in Burma and signed a memorandum of understanding to supply Burmese gas to Thailand.

Texaco of the US, Premier Oil of the UK and Nippon Oil of Japan said they would start delivering 200m cubic feet per day of natural gas from Burma's offshore Yetagun gas fields to the state-owned Petroleum Authority of Thailand (PTT) in 1999, one year after a group led by Total of France and Unocal of the US starts delivery from Burma's larger Yadana fields.

Consortium executives said the on-shore portion of the pipeline needed to transport the gas to Thailand would follow the same route as the Total pipeline. The two companies were negotiating an agreement to share pieces of infrastructure on the route. PTT will build one pipeline on the Thai side large enough to handle capacity from both projects and deliver the gas to power stations in western Thailand.

Twinning the two projects could earn the Texaco-led consortium the same kind of condemnation from human rights groups as the Total-led consortium. Lawsuits have been filed against Total and Unocal in the US alleging that their pipeline project has increased the use of forced labour by the Burmese military and that villages have been relocated to clear the pipeline route of potential security threats.

The companies deny the allegations.

A recent crackdown by Burma's military junta against democracy activist Ms Aung San Suu Kyi and her National League for Democracy has raised the possibility that a prohibition against new US investment in Burma could be declared by US President Bill Clinton.

EU ducks WTO labour rights issue

By Caroline Southey in Luxembourg

European Union ministers yesterday agreed how they would approach the World Trade Organisation's first summit in Singapore next month. They decided to avoid taking a tough stance on the most controversial issue, that of linking trade and labour rights, on which EU member states are deeply divided.

The ministers mapped out the EU's priorities for the meeting of 100 trade ministers, including a wide-ranging work programme for future trade liberalisation. Issues the EU wants addressed include a drive for further tariff cuts, trade rules on investment and competition and trade and the environment, and a new push on liberalising telecommunications.

Sir Leon Brittan, European Commissioner for trade, said it was inevitable that the EU stance reflected a compromise based on the wishes of 15 member states, but he stressed that it showed the EU's "capacity to bridge divergent positions and reach a common view."

He said the EU would discuss labour issues at the WTO meeting in Singapore, but only to stress that the International Labour Organisation was the best forum for this.

Mr Dick Spring, the Irish foreign minister, said despite many "textual differences" between countries, a political compromise had been struck ensuring that the EU would "get something out of Singapore".

Although the agreement does not commit the EU to pressing for a new round of world trade talks, Sir Leon said he was confident "the process being launched at Singapore will lead to a new round in about 1999", and that there would be "dramatic examples of liberalisation in the coming period".

But the EU foreign and trade ministers failed to support Sir Leon's proposal that the EU should press for a working party on the relationship between trade and labour standards. Instead the EU is simply committed to raising the problem of countries using low wage rates to gain competitive advantages.

The decision was a setback for Belgium, backed by France and at least six other EU countries, which had pressed for a stronger commitment from the EU. However, others including Germany, Britain, Sweden and Spain viewed the move as a victory.

"I consider we have won on this issue," said Mr Anthony Nelson, the British trade minister.

Mr Yves Galland, the French minister of external trade, said the establishment of a working group was backed by a majority of member states.

Mr Philippe Maystadt, Belgian's minister for external trade, insisted on a strongly worded minuted statement calling on the Singapore conference to find ways of promoting core labour standards.

The EU is committed to pressing for a working group on trade and investment rules as a precursor to negotiations in the WTO. The move will be resisted by the US, which wants the issue addressed through the Organisation for Economic Co-operation and Development.

In search of an agenda, Page 11

Germans' $1bn for Philippines

By Edward Luce in Manila

German investment in the Philippines is to rise to almost $1bn in the wake of a visit by Chancellor Helmut Kohl to Manila which started yesterday. Philippine officials say the $1bn projects, which dwarf the $71m invested by German companies in the Philippines over the last decade, reflect the country's new status as a high-growth emerging market.

Mr Kohl, who is accompanied by 130 businessmen on his tour of Asia which includes Japan and Indonesia, yesterday unveiled the $949m package in a meeting with President Fidel Ramos. The investments, which include a $650m power plant and a $266m telecoms joint venture, reflect Bonn's drive to boost the presence of German business in Asia, officials said.

Germany is the Philippines' eighth largest trading partner with $2bn in two-way trade last year. It is expected to go from 16th largest investor in the Philippines to fifth within six months. Mr Kohl will also propose a "German centre" in Manila during his visit. This will provide facilities for medium-sized German companies operating in the Philippines, and would be modelled on a similar venture in Singapore.

Siemens, the German engineering company, is to build a 990 MW gas-fired power plant in Batangas, 80 km south of Manila. It has formed a joint venture with First Gas Holdings, a partnership between a local company and British Gas. German officials said this project could be followed by more power ventures, particularly in view of the $6bn privatisation of the Philippine national power corporation next year.

Deutsche Telekom, German's largest telephone company, yesterday took a 35 per cent stake in Islacom, a local telecoms company. The tie-up will help Islacom achieve its aim of building an integrated digital system in the newly liberalised market and installing 700,000 landlines in the next three years.

German officials will also initial a joint venture between Audi and Proton Philippines – the local arm of the Malaysian car maker – to assemble Audi cars at Proton's plant north of Manila.

World sea cargoes at record levels, says UN

By Frances Williams in Geneva

World seaborne trade grew 3.7 per cent last year to a record 4.65bn tons, driven by strong demand for grains, iron ore, coal and other dry bulk cargoes, the United Nations Conference on Trade and Development said yesterday.

In its annual review of maritime transport, Unctad predicted further growth of 3-3.5 per cent this year to nearly 4.8bn tons, continuing a decade of uninterrupted expansion.

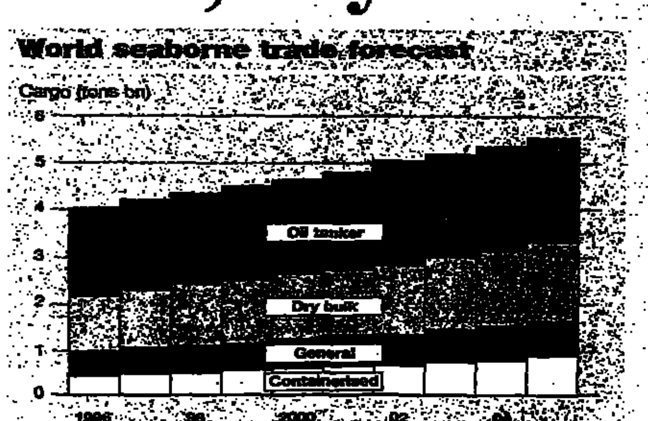
The world merchant fleet is also expanding, though more slowly than seaborne trade, leading to improved use of fleet capacity. Tonnage grew last year by just over 2 per cent to 734.9m deadweight tons.

Developing countries have about 18.5 per cent of world tonnage and only a slightly lower proportion – 17.2 per cent – of the more efficient container tonnage.

However, the regional balance is highly skewed. Container tonnage is concentrated in Asian developing countries while African nations own virtually no container tonnage at all.

World seaborne trade forecast

Cargo (tons bn)



Sub-Saharan Africa also suffers from very high freight costs, the review points out. Most sub-Saharan African countries paid 12-15 per cent of import values in freight costs, compared with a developing country average of 8.25 per cent and 4.3 per cent for industrialised nations.

Some landlocked African nations, such as Chad, Mali and Rwanda, pay freight costs of as much as 25-30 per cent of import values. Unctad attributes the huge variations to widely different charges for inland transport.

"Container rates are particularly high on some central African corridors, which may be due in part to restrictive transport policies," the review says.

Developing countries overall account for roughly half all cargo loaded, and about a quarter of cargo unloaded. These shares have remained broadly stable in recent years. However, the share of eastern and central Europe has declined steadily to 3-3.5 per cent last year.

● *Review of maritime transport 1995 (Sales No.E.96.II.D.9), UN Sales Section, Palais des Nations, CH-1211 Geneva 10, fax +41 22 917 0027, $50.*

WORLD TRADE NEWS DIGEST

BMW to open plant in Egypt

BMW is to open its first assembly plant in the Middle East, in Egypt, next year. The completely knocked down (CKD) assembly plant for the 5 Series will be able to produce 2,500 cars a year and plans to roll out its first Egyptian-produced BMW next September.

In 1995 the German carmaker sold only 250 cars in Egypt. That number is expected to increase to 400 this year, about 1 per cent of the market. BMW believes its poor sales volume is due to high prices, which are up to four times greater than in Germany, mainly because of 135 per cent import tariffs.

However, BMW expects the Egyptian new car market to increase to more than 100,000 units a year by the end of the decade, and plans to raise its market share to 5 per cent. It has set a target of selling 3,000 BMWs and 2000 Rover cars in Egypt. BMWs will be assembled with an Egyptian partner, Houssam Aboul Fotouh Group, from CKD kits with 40 per cent local value-added. This enables BMW to import car components into Egypt at reduced tariffs. *Sean Evers, Cairo*

WTO postpones liquor ruling

The World Trade Organisation was yesterday forced to postpone a decision to adopt an appeals body ruling against Japanese liquor taxes for lack of the necessary quorum. Only 37 WTO members turned up for the meeting of the WTO's dispute settlement body (DSB) against the 63 required – a simple majority of the WTO's membership. Japan then insisted that the meeting be suspended. The DSB will reconvene on Friday, when it is expected to endorse the appellate body verdict. This upholds an earlier WTO dispute panel ruling that the Japanese tax system discriminates against imported spirits such as whisky and brandy in favour of domestically produced shochu. The Tokyo government has already indicated its intention to change the tax regime next year. Under WTO rules, the appeals body judgment is final unless there is a consensus among members to overturn it. *Frances Williams, Geneva*

Alcatel wins cable contract

Alcatel Alsthom of France has won a FFr2bn ($390m) contract for a transatlantic fibre optic cable telecommunications system linking London and New York. The contract was awarded by Cable Co International, a vehicle formed by MFS Communications, the US-based business telecoms group, and Cable and Wireless of the UK. Alcatel described the proposed link as the "most advanced" system of this type yet constructed. It said the system would be in service in less than 15 months. *David Owen, Paris*

Cuba seeks Caricom talks

The Caribbean Community (Caricom) will study a Cuban request to start negotiations on a free trade agreement. Cuba's request follows Caricom's announcement that it will start talks soon on free trade treaties with the Central American Common Market, the Dominican Republic, Colombia, Venezuela and possibly Mercosur, which groups Argentina, Brazil, Paraguay and Uruguay. Caricom has consistently argued against the US economic embargo of Cuba, and the Helms-Burton Act which threatens companies trading with Cuba. Trade between Cuba and Caricom, valued at about $40m per year, is heavily in Caricom's favour. *Canute James, Kingston*

Democrats in new row over funds

By Gerard Baker in Washington

The US Democratic party yesterday fuelled suspicions about the nature of its fund-raising activities when it failed to file a full formal report on its campaign finances with electoral authorities.

The failure to submit the report was the first time in two decades that either of the two main parties had not furnished the pre-election statement. The Republican national committee filed its report for the same period on time last week.

Mr Haley Barbour, the RNC chairman, accused the Democrats of having something to hide, and threatened legal action to force the party to reveal more details of its financial backers.

The controversy follows revelations in the last month that the Democrats had accepted funds from a variety of controversial sources, including $400,000 from a businessman linked to an Indonesian financial group, and $140,000 from a group of Buddhist monks thought to have taken a vow of poverty.

Republicans have also received financial backing from some curious quarters and public pressure for a wide-ranging reform of campaign finance is growing.

The Democratic national committee issued only a list of its main contributors and expenditures for the first two weeks of October, the last public accounting period before Tuesday's elections. It failed to provide a full statement detailing all financial activities as normally required by federal election law. The statement should have been filed with the Federal Election Commission by last Thursday.

The DNC said the party was hoping to be able to provide the full FEC-approved statement within the next few days, but could not say whether it would be published before the elections. It said the committee had not provided a full report on time because it believed it had not been required to do so, having spent no money directly on presidential and congressional election campaigns during the period.

The DNC's actions may have been strictly within the letter of the FEC's guidelines, though they seem to have contravened statute law. FEC rules require the submission of a report when expenditures have taken place within the specified period. But the statute says accounts should be furnished when any election expenditures have been made, not simply within the two-week period.

President Clinton checks his wedding ring after it came loose in Chicago yesterday Reuter

NY bank to face charges from SEC

By Tracy Corrigan in New York

The US Securities and Exchange Commission plans to file charges against CS First Boston, the New York investment bank. It alleges the bank failed to uncover the true financial position of Orange County when it underwrote a municipal bond offering shortly before the California county filed for bankruptcy in December 1994.

The county had amassed losses of almost $1.7bn on its investment portfolio, when risky bets on interest rate movements using structured securities went wrong. It is suing Merrill Lynch, its former lead adviser, and other Wall Street firms, for selling these risky securities.

The case against CS First Boston is not directly related to sales of these securities. Rather, as lead underwriter of a $320m issue of pension bonds launched in September 1994, CS First Boston was required to verify the county's financial details disclosed in the prospectus – a process known as due diligence.

Along with CS First Boston other securities firms and rating agencies failed to raise any alarm over the investment strategy of Orange County's convicted former treasurer, Mr Robert Citron. Despite the bankruptcy, investors in the bonds were repaid in full, according to CS First Boston.

So far, CS First Boston, which also dealt with the Orange County investment fund, has not been sued for damages by the county. Orange County emerged from bankruptcy in June, after returning to the municipal bond market to raise $880m.

Guatemala peace talks suspended

By Johanna Tuckman in Guatemala City

The Guatemalan government has broken off negotiations with left-wing guerrillas less than two months before a final peace accord was due to end 36 years of armed conflict.

The surprise announcement by Mr Rodolfo Mendoza, interior minister, came less than 24 hours before talks were due to resume with the Guatemalan National Revolutionary Unit (URNG) guerrillas in Mexico with a view to signing a full peace deal on December 15.

The government said the recent kidnapping of an elderly woman by a guerrilla commander violated the terms of the peace process. He demanded that URNG commanders give a full explanation of what happened. "This is indispensable for the [peace] process to continue," Mr Mendoza said.

The United Nations-brokered negotiations, which began in 1991, had been running smoothly this year. The January inauguration of modernising right-wing President Alvaro Arzu was followed by a rapid acceleration of the talks, a ceasefire and a series of military purges intended to clean up the army's image in preparation for peace. Both sides were to have met in Mexico City on Tuesday to continue talks regarding the political future of the URNG.

Mr Juan Jose Urruela, a spokesman for private sector interests, said: "Business wholeheartedly supports the suspension of the negotiations." But Mr Carlos Aldana representing the Archbishop's Human Rights Office, called for a "more flexible position," consistent with the blind eye turned by negotiators to evidence compromising military officers.

The military has long been associated with the growth of kidnapping in Guatemala. But this is the first time that the URNG has been the subject of similar accusations.

Separatist messiah switches his efforts to reviving the province's hard-pressed economy

Independence on backburner in shaky Quebec

By Bernard Simon in Montreal

Only 12 months ago Quebec secessionists were hailing Mr Lucien Bouchard as the messiah who would lead them to independence from Canada. His astute political instincts and electrifying oratory powered the separatist camp to within a hair's breadth of victory in a sovereignty referendum.

Mr Bouchard, who took over as premier of the French-speaking province three months after the vote, remains by far Quebec's most popular politician. But running a government is proving a tougher job than turning around a floundering referendum campaign.

The challenges facing Mr Bouchard will be evident over the next three days as he presides over a "summit" of 78 Quebec business leaders, trade unionists and community activists in Montreal. The government hopes the meeting will produce a united front on a strategy to restructure and revive Quebec's economy.

The quest for independence has been put on the backburner. Although opinion polls still show a near-even split between the federalist and separatist camps, they also confirm that Québécois are in no mood for another divisive vote. Mr Bouchard has pledged not to hold another referendum for the next 2-3 years. Business and others have urged him to extend the moratorium even further.

He seldom mentions independence in speeches and has adopted a more pragmatic approach than his predecessor, Mr Jacques Parizeau, towards co-operation with the federal government in Ottawa. Putting the economy right has become top priority. Mr Bouchard justified his switch of focus in a recent speech by asserting that "Quebec society will be able to make important political choices, knowing it is on solid ground".

Putting the economy on solid ground is unlikely to be easy or quick. The province's growth rate has lagged the rest of Canada for more than two decades. Unemployment is 12.6 per cent, compared with under 10 per cent in the country as a whole. The malaise is especially evident in Montreal, the province's commercial and financial centre. A disgruntled taxi driver jokes that "A louer" (For rent) is the most common sign along the city's streets.

Quebec has been slow to adjust to the market-oriented policies that have swept other parts of Canada. The government continues to direct large segments of the economy, ranging from investments by the powerful Caisse de dépôt et placement du Québec, the public-sector pension fund manager, to a panoply of subsidies and tax concessions that channel investment into sectors favoured by politicians and bureaucrats. There has been much talk of privatisation, but virtually no action.

Progress on the fiscal front has also lagged most other provinces. Quebec has Canada's second highest tax rates, after Newfoundland. But, according to Toronto-Dominion Bank, it will also have the highest per capita debt for the fiscal year ending March 31 1997.

Mr Bouchard has promised a balanced budget within the next four years, with the pledge to be enshrined in legislation. Other sacred cows are being gored in the drive to cut public spending. Hospitals have been closed, and controversial education reforms are in the pipeline. The most severe cuts are due to take effect in 1997.

A slew of new initiatives will be unveiled during the summit to boost business investment, including new research and development incentives, tax concessions to encourage training, and looser environmental regulation.

Mr Bernard Landry, Mr Bouchard's deputy and finance minister, says the time for "heavy state intervention" is past, but the government is expected to kickstart dozens of job-creation projects.

Mr Bouchard's strategy carries high risks. Rumblings of discontent have already surfaced in the ruling Parti Québécois, whose local organisers pride themselves on controlling rather than being controlled by their leader.

Unions and social activists, among the bedrocks of PQ support, fear becoming the main victims of spending cuts. By putting the brakes on the independence drive, Mr Bouchard risks shutting off the engine that keeps PQ members pointed in the same direction. According to one former politician in Quebec City, Mr Bouchard "has been trying to steer his party to the centre, but the party has not been budging".

Business has also responded warily to Mr Bouchard's overtures. Mr Landry has a list of 46 foreign companies that have unveiled investments totalling almost C$3bn ($2.1bn) so far this year. But many others are hesitant to put new money into Quebec. Nesbitt Burns, a Toronto-based securities firm, said in its latest economic outlook, that Quebec's prospects "remain clouded by political uncertainty".

NEWS: ASIA-PACIFIC

Yen's decline welcomed in Tokyo

By William Dawkins in Tokyo

The Japanese government yesterday welcomed the dollar's advance to a nearly three and a half year high against the yen in Tokyo. Mr Ryutaro Hashimoto, the prime minister, described the yen's fall as "normal" and his finance minister, Mr Wataru Kubo, said the decline reflected the economic fundamentals of Japan and the US.

The dollar touched Y114.92 yesterday afternoon in Tokyo, the highest since April 1993, and fell back to the mid-Y114 level, an appreciation of nearly 12 per cent from Y102 a year ago.

The yen's weakness is a boon to Japan's exporters, because it reduces the price of their goods in foreign currency. As such, it will be generally positive for corporate profits, said Mr Jason James, strategist at James Capel in Tokyo. But the proportional impact on company earnings will be less than was the dollar's initial recovery, from its record low of Y79.75 in April last year, because Japanese profit margins have since widened.

In response, the Nikkei 225 share index rose by 72.67 points, the second consecutive day of increase, to 20,958.08.

Some Japanese managers, including the presidents of Matsushita, the world's largest consumer electronics company, and Canon, the computer printer and photocopier producer, have even said that they would prefer a slightly stronger yen.

The current exchange rate, while good for export earnings, invites a question over a recent rise in Japanese investment in overseas manufacturing plants, planned when the dollar was worth less than Y100. "This is an embarrassment for some managers," said Mr James.

According to a recent EPA survey, 64 per cent of Japanese manufacturers can make a profit or break even at an exchange rate of less than Y110 to the dollar, up from the mere 14.6 per cent per cent who could make money at that exchange rate two years ago. The incentive to continue overseas investment at the current exchange rate is thus less than it was when the dollar was last this strong.

Mr Hashimoto is still struggling to form a government coalition after his conservative Liberal Democratic party fell 12 seats short of a parliamentary majority in a general election 10 days ago.

Unless Mr Hashimoto manages to attract at least 30 defectors from a fragmented and disorganised opposition, the next government will be so weak that only the least controversial legislation will be passed.

Y990bn boost to bankruptcy wave

William Dawkins reports on the biggest collapse among Japan's non-bank financial institutions since the end of the late 1980s property market bubble

Financial collapses are so frequent in Japan these days that investors in local banks did not turn a hair when Nichiei Finance last week became the country's largest postwar bankruptcy with liabilities of Y991.4bn ($8.7bn).

Nichiei, a Yokohama-based property lender, had borrowed nearly Y90bn from the prestigious commercial banks Dai-Ichi Kangyo and Asahi. It is the fifth non-bank financial institution – a lender without a licence to take deposits from the public – to go under this year because of customers' inability to repay loans taken out to buy overvalued property at the height of the asset price bubble in the late 1980s. The two banks' share prices hardly moved in response to their customer's demise, a sign of their own capital strength.

Yet Nichiei is not just another routine casualty. It is the most prominent of a second wave of collapses. The first wave saw the bankruptcy of seven *jusen* housing loan companies, whose commercial bank founders were saddled with a bill of Y3,500bn in bad loan write-offs.

In total, Japan's top 20 banks have written off nearly Y18,000bn of bad debts since 1992, prompting some banks to suggest the worst was behind them. Financial analysts in Tokyo fear that Nichiei presages another series of hits.

There is no official estimate of non-banks' bad debts. But data supplied by banks to the finance ministry suggest that non banks' net loan losses could be as much as at Y16,500bn, says Mr Brian Waterhouse, analyst at James Capel Japan. The reputable financial magazine, Kinyu Business, estimates that the top 20 banks have around Y20,000bn of outstanding bad loans to non-banks.

Nearly all of non-banks' loan losses would have to be born by their parents, assuming they stick to the convention of taking responsibility for affiliates. They probably will, since many non-banks were founded by main banks in the 1980s precisely to carry out high risk property lending that was considered unsuitable for their parents.

Until now, the stronger banks have, with a few exceptions, been content to bail them out, motivated by a mixture of fear that the collapse of an affiliate would damage their own credit ratings, plus hope that property prices will eventually rise.

Examples over the past year include Fuji Bank, LTCB, Sakura Bank and Sumitomo Bank, all of which forgave loans to non-banking offshoots.

Yet analysts believe that almost none of those non-banks' potential net losses has been disclosed in the top banks' latest official estimate of their own Y13,000bn bad debts, at the end of last March. They do not qualify as non-performing assets under Japan's lax official definition – a loan on which interest has not been received for more than six months.

The risk is that more small banks could be brought down by non-bank affiliates, such as Hyogo Bank last year, or be forced to walk away from the rubble, as three small banks did in 1994.

The big question now is whether the next victims will be limited to friendless unfortunates like Nichiei. A new factor – the winding up of the *jusen* – has come into play, which could push more non-banks into ruin, beyond their parents' control.

The *jusen* are now beginning to be liquidated by a government body, the Housing Loan Administration Corporation (HLAC). It is trying to seize and sell as much collateral as possible to clean up the financial system and to offset a Y685bn government contribution to their losses, bitterly opposed by the public.

Many non-banks lent to *jusen*-backed property companies. Teikoku Databank, a credit research agency, estimates that the *jusen's* 32 largest property developer borrowers also owe non-banks Y1,747bn. Since around 95 per cent of the jusen's loans are uncollectable, the non-banks can also be expected to lose nearly all their money.

Until the HLAC starts swinging into action, the non-banks could assume, however naively, that their *jusen* customers would eventually repay. Now non-banks face the risk of an instant loss of their *jusen* loans, pushing more of their weaker brethren into insolvency.

The government's solution to the *jusen* problem therefore threatens to create a new problem, a grim reminder of how intertwined are Japan's different financial institutions. But this time, senior finance ministry officials insist there will, unlike the *jusen*, be no state assistance.

Japan: a string of failures

Recent bankruptcies of Japanese non-bank financial institutions

	Company	Liabilities (yen bn)	Operations
October 1996	Nichiei Finance	991.4	Credit guarantee
August	Minami Kyushu Credit	108.5	Consumer credit & finance
June	Shin Kyoto Shimpan	348.8	Consumer credit & finance
February	Aichi	182.0	Finance
February	Equion	290.0	Finance
November 1995	Hyogin Factors	369.2	Factoring
October	Tokyo Teito Shinyo	300.0	Mortgage-backed securities
March	Osaka Sogo Shinyo	437.0	Finance
October 1994	Nippon Mortgage	518.4	Finance

Source: The Nihon Keizai Shimbun

Delhi admits to slower economic growth

By Mark Nicholson in New Delhi

Mr P. Chidambaram, India's finance minister, admitted for the first time yesterday that India's economic growth had slowed, but dismissed widely voiced fears in industry that the country was facing recession.

He also told a World Economic Forum conference in Delhi that the slowdown had not hurt government revenues and that he remained confident of meeting his fiscal deficit target of 5 per cent of gross domestic product for the year ending in March.

Chidambaram: industrial growth put at over 8%

He said both receipts and expenditures for April-August were in line with the averages for the preceding five years and the revenue deficit, which excludes spending on government debt and interest, was well below the average since 1991, having fallen to 27 per cent of total revenues from the five-year average of 44 per cent.

He said he placed the "highest priority" on hitting the deficit target and would "fight to the last day of this fiscal year" to do so. Mr Chidambaram warned after his June budget he would introduce fresh revenue or spending measures if the target appeared threatened.

The remarks came during a robust defence of his government's economic policies, which several participants at the conference have suggested appear stalled and in need of a "second phase of reforms" to follow the initial burst of liberalising trade and industrial moves undertaken in 1991-92.

But Mr Chidambaram insisted the United Front government had advanced the reforms inherited from the previous Congress administration, saying it had cleared a backlog of foreign investment proposals, speeded up vital power and infrastructure project approvals, eased foreign borrowing terms for Indian companies and liberalised rules for foreign investment into debt and unlisted Indian companies.

However, he also admitted that further progress was complicated by a need to "nurse a consensus" within the ideologically diverse coalition. Urging foreign investors to "keep faith in India", he said: "Please understand that we are working in a democracy – we are working in a system where there are several pulls and pressures."

Mr Chidambaram blamed the present slowdown, in which industrial growth has slipped to 8.5 per cent from last year's 12 per cent, on severe monetary policies adopted by the previous government designed to curb inflation before last May's elections. "They squeezed money supply to the point where we can feel the hurt now," he said.

"But recession is not the word for this," he said. "Industry is still growing at over 8 per cent and agriculture this year will reach a new peak."

The government recently revised downwards last year's growth figure from 7 to 6.3 per cent following a lowering of grain production estimates.

● Foreign investment in Indian shares has risen sharply since a significant monetary policy easing on October 19 aimed at reviving a slowing Indian economy, writes Tony Tassell in Bombay. Of the $169.5m pumped into Indian shares by foreign investors in October, more than half has come in the six trading sessions since the monetary policy easing, according to figures from the market regulator, the Securities and Exchange Board.

Beijing plans fund to shore up Hong Kong market

By Louise Lucas in Hong Kong

Beijing is planning to set up a lifeboat fund which would be used to shore up Hong Kong's stock market if it crashed after China resumes sovereignty of the territory next July, according to Ta Kung Po, the Beijing-backed Hong Kong daily.

China has previously sought to play a role in bailing out the territory's stock market during times of crisis, both after the global crash of October 1987 and the Hong Kong collapse triggered by the crushing of pro-democracy protesters in Beijing's Tiananmen Square in June 1989. In each case Hong Kong brokers were tapped for advice by Beijing officials on how China could best help.

Any hiccups in the handover of sovereignty stand to send stock prices tumbling, although many brokers believe the government will encourage mainland money to flow into the territory to buoy stock and property prices during 1997.

However, Hong Kong brokers reacted coolly to the notion of an implicit contingency fund, which they argue could be exploited by speculators – who can short-sell secure in the knowledge that they have a safety net beneath them – and is at odds with a free market.

Mr Richard Witts, a former chief of one of the territory's four pre-unification stock exchanges, says the experience of Thailand and Taiwan suggested bailout schemes usually backfired. "It's like a government saying it's going to support a currency, which often results in even more feverish selling," he says.

Brokers close to China suggested the government would galvanise big organisations such as banks and investment agencies into channelling money into Hong Kong stocks, rather than simply establishing a finite fund.

In this way, they say, Beijing is doing no more than Hong Kong has done in the past: it is commonly accepted the Hong Kong Jockey Club, one of Hong Kong's biggest and richest institutions, poured funds into the stockmarket following the 1987 crash.

Mr Howard Gorges, managing director of South China Brokerage, a Hong Kong securities house, further argues that Hong Kong's preponderance of foreign investors owing no loyalty to the territory underlines the need for a separate source of support.

"An international panic can start a lot of other damage, not just in stocks but also in property. Things can snowball. So if it is within the powers and common sense to arrest things, why not?" he asks.

Australian airports in sale line-up

By Nikki Tait in Sydney

Australia's federal government has confirmed it expects the second tranche of airport privatisation sales to go ahead in 1997-98 – with the sales of Sydney airport and of the planned Sydney West airport being delayed until noise and environmental issues are resolved.

The government is looking to privatise all 22 airports previously managed by the Federal Airports Corporation.

The first tranche of sales – for Melbourne, Brisbane and Perth airports – is already under way and has generated considerable international interest. There were 26 expressions of interest registered earlier this month and at least a dozen consortia shortlisted. Final bids are likely to be sought early next year.

"It is expected that the leasing of the airports to be sold in phase two (with the exception of Sydney and Sydney West) will be completed by the end of the 1997-98 financial year," said a departmental report filed in parliament yesterday.

"The leasing of Sydney and Sydney West airports is to be deferred pending resolution of noises issues at Sydney airport and completion of an environmental impact study being conducted on a second Sydney airport."

Meanwhile, Australia and Papua New Guinea have agreed to open up bilateral air services, at present provided only by Qantas, the privatised Australian carrier, and Air Niugini, which is government-owned – a move likely to be welcomed by international resources companies operating in PNG.

Mr John Sharp, Australia's federal transport minister, said talks between the two governments meant opportunities would now exist for regional carriers to develop niche markets from points such as Darwin, Cairns and Townville to Port Moresby and other points in PNG. Such services would be subject to government approvals but could virtually double overall capacity over the next two years, he suggested.

ASIA-PACIFIC NEWS DIGEST

Vietnam output rises 13.5%

Vietnam published figures yesterday showing continued signs of a healthy economy in spite of deepening political concern over trade problems and inflation. The State Statistics Office said industrial output was up 13.5 per cent between January and October compared with the same period last year. The trade deficit fell slightly, for the first time in months, to $3.35bn from a record level of $3.54bn just one month earlier. Exports from the beginning of the year until October 15 were put at $5.53bn and imports at $8.88bn.

Inflation figures last week showed a year-on-year price rise of 2.9 per cent, down from double digit levels in 1995. Yesterday's positive news came amid a climate of pessimism in Hanoi and signs of differences within the government over management of the socialist country's economy.

Reuter, Hanoi

Japanese retail sales recover

Sales at Japan's large retailers recovered from their recent dips to remain unchanged for September from a year earlier at Y1,672bn ($15bn), following two consecutive months of year-on-year decline, the ministry of international trade and industry announced this week. The overall figure reinforced a patchy recovery in personal consumption from the summer, with recent improvements in company profits and the labour market pointing to continued growth in consumer spending. In July, at the height of the food poisoning scare, total sales at large retailers fell 4.1 per cent. At department stores, mainstay clothing sales were particularly strong, growing 3.3 per cent on the strong performance of women's autumn apparel.

Gwen Robinson, Tokyo

Unemployment rate stays high

The weakness of Japan's economic recovery was underlined yesterday by government figures which showed that the unemployment rate, which improved this summer, remained unchanged in September. The unemployment rate remained at a relatively high 3.3 per cent, after falling for two months from a recent peak of 3.5 per cent in May and June, according to the labour ministry. While the overall number of people with jobs has been on the rise, this has been countered by job losses from restructuring.

The high unemployment rate came as industrial output in September rose more than expected. The ministry of international trade and industry said Japan's industrial output rose 1 per cent last month, rather than the forecast 0.1 per cent, following a fall in August. Miti expects output to increase 4 per cent in October before falling 1.9 per cent in November.

Michiyo Nakamoto, Tokyo

Mayor of Beijing resigns

The mayor of China's capital resigned yesterday in a reshuffle expected since the downfall last year of his mentor, Mr Chen Xitong, disgraced Beijing Communist party boss, in a corruption scandal. The Beijing People's Congress had approved the resignation of Mayor Li Qiyan, the official Xinhua news agency said. It did not explain why Mr Li, 58, was stepping down, saying only that he would become secretary of the Labour Ministry's Communist party committee.

Diplomats and Chinese officials said Mr Li was forced to step down because of his close links to Mr Chen, who resigned his posts in April 1995 after his protege, a vice-mayor, came under investigation for economic crimes and committed suicide. Chinese officials said the city government has been virtually paralysed since Mr Chen's downfall.

Reuter, Beijing

Scheme proposed by chemical producers and backed by British Gas is rejected

Government adopts Shell-Elf gas plan

By Robert Corzine in London and Chris Tighe in Newcastle upon Tyne

The government yesterday ended a bitter row between two North Sea oil companies and chemical producers in the Teesside region of north-east England. It did so by supporting a plan put forward by Shell and Elf Aquitaine to land gas from three new offshore fields at Bacton on the east coast, rather than at Teesside. Bacton is about 250km south-east of Teesside.

Mr Ian Lang, chief industry minister, said the proposal by Shell and Elf to build an undersea pipeline from the Elgin, Franklin and Shearwater fields to Bacton was the cheapest solution and would produce the widest economic benefits for the UK. He said it would "keep down the cost of extracting the oil and gas by some £200m ($312m). Indeed... without this pipeline route, the Shearwater project would not be economically viable and therefore might not go ahead."

Chemical producers on Teesside wanted access to the gas through an existing pipeline system to ensure that they had adequate feedstocks in the future. They were supported by British Gas, which would have transported the gas on land.

Elf is keen to export gas from its fields to mainland Europe through a new pipeline link between Bacton and Zeebrugge in Belgium. Shell favours the Bacton route because it wants to supply the fast-growing gas markets of southeast England.

News of Mr Lang's decision was greeted with dismay and anger on Teesside. ICI, the Teesside Chemicals Initiative, local authorities and Teesside's new inward investment body, the Tees Valley Development Company (TVDC), all condemned the decision. "It's a mammoth loss of opportunity. Teesside and the UK will regret it for many years," said Mr James Emerson, the TCI's chief executive.

The TCI, which was launched by the government last year to attract chemical investment to the region, argued that access to the gas would have triggered more than £1bn worth of investment over the next five years in petrochemical and plastics plants. That in turn would have generated 500 new direct jobs and at least 1,000 indirect jobs. Mr Lang, however, pointed out that development of the fields along the lines put forward by Shell and Elf would have countrywide economic benefits.

The government expects that the UK offshore industry will win three-quarters of the £2.5bn in contracts that will be awarded by the two companies.

The first contract was awarded yesterday to the Shearwater Development Consortium, an alliance between Amec Process and Energy Heerema. The government's decision also means that BP Chemicals will go ahead with a £500m expansion to its plant at Grangemouth in Scotland, which will receive the fields' natural gas liquids.

Mr Frank Cook, an MP representing a north-east England district for the main opposition Labour party, said the government's decision against piping gas to Teesside "must rank among the worst betrayals of the national interest – and that of Teesside – we have ever seen.

"It means that yet more of our North Sea assets will be squandered all because of ministers' views that the market must rule supreme. The suggestion that at some future date some gas might be piped here is regarded throughout the industry as a meaningless sop." Mr Barry Coppinger, chairman of the Tees Valley Development Company, said the decision threatened the future of the Teesside Chemical Initiative, launched by ministers last year with the aim of establishing the area as the chemical development capital of Europe.

Mr Neil Etherington, chief executive of the development company, said: "A great many people in the area invested time and effort in supporting the Teesside Chemical Initiative because they believed the government was serious in its commitment. "Today all of us feel very badly let down."

Oil giant aims to catch up with rivals

BP seeks to change its corporate culture

With a $2.5bn investment in a new polyethylene joint venture in the offing in China, BP must tread carefully in a country so unlike its traditional US and European markets.

For Mr John Browne, BP's chief executive, some solutions lie in applying the techniques that have made the company one of the best-performing international oil companies in recent years.

"We have emphasised all along to our Chinese partner that this must be an internationally competitive plant," Mr Browne said at the sprawling 26km-long Shanghai Petrochemical Company. "But we can't just dump people – because there is no safety net here."

BP executives believe that SPC, which is listed on the New York Stock Exchange, will support an out-sourcing solution. To smooth the way for its listing, SPC made a similar move when it hived off thousands of support staff into a separate company.

BP executives admit that, compared with competitors such as Royal Dutch/Shell, they are "playing catch-up" in one of the world's fastest-growing and most competitive energy and petrochemical markets.

BP expects that double-digit growth in the Asia-Pacific region and Latin America will result in the two areas accounting for a quarter of its revenues by the early part of the next decade.

BP's chosen route, to expand through a chemical base, appears sensible, given that demand for chemicals in Asia is doubling every six years against 36 years in Europe.

The volatility of Asian markets is one reason why Mr Browne is placing so much importance on picking the right local partners.

"A full cycle payback of seven years is one of the reasons why relationships are so crucial. We want to enter into alliances on the basis that they will last forever."

But the time it takes to persuade Asian governments to support projects as large as the Shanghai proposal can conflict with BP's stated objective to cut the costs of large capital projects by accelerating the usual pace of development.

BP executives admit, however, that negotiations in Asia can prove painfully slow. "We always underestimate the time it takes to get everybody talking at the same level," says Mr Bryan Sanderson, head of BP Chemicals and executive director in charge of overseeing Asian expansion. "Most of the time we want them to meet us 93 per cent of the way, and to do things in an Anglo-Saxon way."

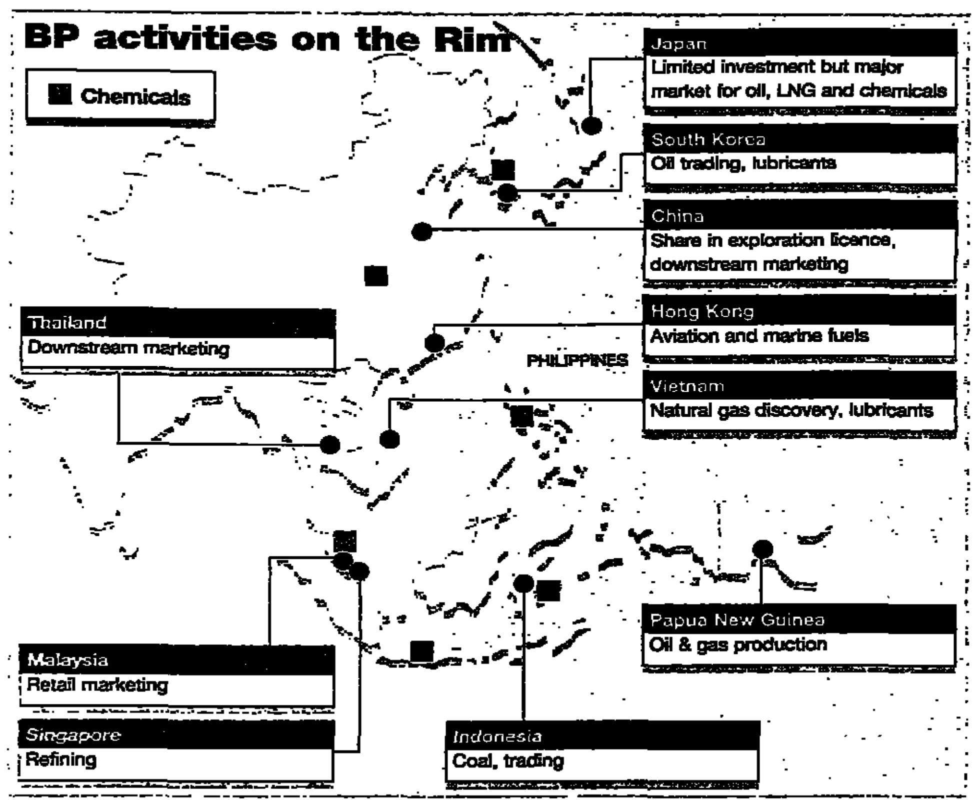
Executives also acknowledge that BP faces an uphill struggle to expand from a strong chemicals base in countries such as China and Indonesia, and into downstream retail marketing, where the benefits of foreign participation are less clear to governments. "Downstream growth will be slow to start. But in those markets that we can enter, we will do so quickly," said Mr Browne.

BP's Asian expansion is one reason why it will step up its capital spending next year by about 10 per cent, compared with the $5bn-$6bn due to be spent this year.

But cash may not be the only key to success in the region. BP's corporate culture will also have to change to reflect the new expansion. According to Mr Browne: "We need to become a more Asian and more Latin American company."

Robert Corzine

BP activities on the Rim



Watchdog debates Internet safety with SEC

By John Gapper, Banking Editor

The Securities and Investments Board, the City of London's chief financial watchdog, is discussing with the Securities and Exchange Commission in the US whether to put safeguards in place for private investors using the Internet.

UK regulators are concerned that private investors can gain access to Internet sites used to sell products only an authorised financial firm would be allowed to market in the UK by other means.

Sir Andrew Large, chairman of the SIB, said yesterday that the opening up of a global marketplace "accentuates the need to resolve such issues as in which jurisdiction cross-border investment business actually takes place".

Sir Andrew, addressing a conference on the 10th anniversary of the "Big Bang" deregulation of the City, said the fact that investors could gain direct access to exchanges and products through technology had regulatory implications.

He said most companies using the Internet "will not be doing so with a view to getting round regulation" and the SIB had no intention of allowing regulation "to impede commercial and technological progress unnecessarily".

Sir Andrew told the conference that stock exchanges would have to consider whether they wanted to remain member-owned organisations, or should transfer to being publicly listed companies.

He said exchanges had to focus on reducing costs and giving investors what they wanted. This was not always easy "if you are simultaneously trying to cater for members with a varying range of interests".

The Australian stock exchange's decision to float showed that it thought this was the best way to compete internationally. However, he said it was not for a regulator to determine how exchanges should be owned.

Mr Mike O'Brien, spokesman on the City for the opposition Labour party, indicated to the conference that Labour was still hesitant about removing banking supervision from the Bank of England and handing it to a commission.

He praised changes in banking supervision at the Bank under Mr Howard Davies, deputy governor, following the collapse of the merchant bank Barings. He said these showed that the Bank was trying to improve.

Economy 'will flourish outside euro region'

By Graham Bowley, Economics Staff

The UK is unlikely to join European monetary union quickly, but its economy will be one of the best performing in Europe as a result, a leading forecaster which advises banks and companies is telling its clients.

The Ernst & Young Item Club, which uses the UK Treasury's economic model to advise companies, believes Emu will go ahead in 1999 with Germany and France at its centre.

Italy and Spain will join the single currency in 2001 but the UK will opt to stay outside, the club says. It believes that a future Conservative or Labour government would be swayed by public opinion which is set against Emu.

Under this assumption, Item's model predicts that the UK economy will flourish. But unemployment in other European economies will stay high as they strive to meet the Maastricht criteria for Emu by cutting public spending. Mr Paul Droop, chief economist at the Item Club, said: "The UK is one of the best performing economies in the world and will continue to do well outside Emu. The major indicators are very positive and they will stay that way if it stays out."

He said the UK had a low and stable inflation rate, a high rate of growth, falling unemployment and slow but steady employment growth.

The Item Club believes growth within the single currency area will be held back after Emu as countries keep public spending low in accordance with the proposed stability pact.

The Item Club forecasts UK gross domestic product will grow 3.2 per cent next year, 3 per cent in 1998 before slowing to 2.4 per cent in 1999 and 2000. This compares with forecast European Union average growth of 2.5 per cent next year, 2.6 per cent in 1998 and 2.4 per cent growth in 1999 and 2000.

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Banks advise City to adopt decimal pricing

By Gillian Tett and Samer Iskandar in London

One of the City of London's oldest traditions – the practice of quoting market prices in fractions – has fallen out of favour. Most British banks now believe that the City should move to the metric age and replace fractions with decimals, says a survey from the British Bankers' Association.

The findings are likely to increase the pressure for reform. The Bank of England, the UK central bank, is already considering a broader change in market conventions ahead of European monetary union. Scrapping fractions would leave the UK at odds with the US, which still quotes in fractions.

However, any rapid change remains unlikely, not least because some institutions are uneasy about the cost of the move. Mr Bob Blower of the British Bankers' Association said: "Large banks would like to switch over, but some smaller houses say it would be a costly chore."

The BBA report shows that 54 per cent of the 112 banks consulted wanted to scrap fractions, while 20 per cent wanted to keep them. Any move towards decimals would bring the City into line with other parts of the UK economy.

Mr Tommy Fellowes, deputy chairman of Gerrard and National, said: "The fractions are a relic of the past – they have to go." The switch from fractions would also simplify the quotation of prices. Dow Jones Telerate, the market news agency, for example, says that although most UK banks quote sterling interest rates quotes in fractions, some – such as National Westminster – use decimals – resulting in complex conversions.

Scrapping the fractions would bring more conformity between the UK and mainland Europe. Although the UK uses fractions for gilts (UK government bonds) and sterling interest rate products, mainland Europe uses decimals.

Mr Kevin Adams, a gilt strategist at BZW, the investment banking arm of Barclays Bank, said: "It would finally bring the gilts market into the 20th century". He said decimalisation could help price comparisons between UK and other European products. It might also allow them to use smaller margins: at present the smallest trading spread – the fee an investor can be charged – is only $\frac{1}{32}$. This represents a cost of £312.50 ($487.50) on a £1m transaction.

British retailers will need at least three years to prepare for European Monetary Union even if the UK government makes a late decision to join the project, the British Retailing Consortium warned yesterday, *Gillian Tett writes.*

The project could cost retailers up to £3.5bn, with smaller shops hurt particularly badly. The largest could lose 1.1 per cent of annual turnover. Retailers believe it would be very difficult for the UK to start using euros at the same time as the rest of Europe if the UK joined after 1999.

The BRC yesterday insisted that it was "neither for nor against" UK participation. But if the UK joined, "changes needed to be made" to the timetable.

UBS unit charged after allegation of forex losses

By Philip Jeune in Jersey and Clay Harris in London

A Swiss bank in Jersey, one of its senior managers and a former partner of Touche Ross in Nottingham, England, face a total of 29 charges under the island's fraud law after investigations into alleged currency trading losses of $26.7m (£16.6m).

Jersey is the largest of the Channel Islands between England and France. Although Queen Elizabeth is head of state, the islands make their own finance laws independently of the UK parliament.

Cantrade Private Bank Switzerland (CI), a subsidiary of Union Bank of Switzerland, said it would deny the 12 offences it is alleged to have committed between 1988 and 1993. The bank has suspended the manager involved, Mr Peter Stoneman, pending the resolution of nine charges against him.

The bank and Mr Stoneman have been charged under the Investors (Prevention of Fraud) (Jersey) Law, of offences relating to the making of misleading and reckless statements and the concealing of material facts. The former Touche Ross partner, Mr Alfred Williams, is a tax adviser who retired in 1994. He faces eight charges under the same law. The charges relate to currency trading carried out by Mr Robert Young, who was charged in August, in Jersey's magistrates' court, with two counts of fraud.

A total of 90 investors, who placed substantial funds with Mr Young through Swiss investment managers, claim that large losses were hidden from them.

Mr Young, who denies falsifying profit figures and concealing losses, was released on $10,000 bail. He now lives in Nottingham, where he was based before he moved to Jersey.

The trades were carried out through Cantrade, which investors claim failed to have warned them of the losses.

They have brought civil actions against Cantrade and Touche Ross in Jersey's Royal Court. Cantrade and Touche Ross both deny the allegations.

In Zurich, Cantrade said it was investigating the charges brought against its Jersey subsidiary. Subject to that investigation, the charges would be contested.

It was defending the civil action brought by investors but would "meet any claims which are legally justified".

It said Mr Young was never an employee and was trading in currencies under a mandate given to him by the Swiss investment managers.

The investors, however, allege that under a secret deal, commissions on the currency trades were shared between the bank and Mr Young.

In London, Deloitte & Touche said Mr Williams had been charged not with fraud but with making the "misleading statement that Touche Ross had audited the foreign exchange trading accounts of Troy Trust Services" of Panama, one of the companies involved.

Mr Williams was not a chartered accountant, the firm said, and so was not qualified to audit accounts.

UK NEWS DIGEST

Austria joins warning to EU

A joint British-Austrian campaign against the burden of regulation on businesses in the European Union was launched in London yesterday. The British government challenged Brussels to put the principle of subsidiarity into practice by allowing the UK to keep its non-statutory Takeover Code.

The government also called for changes to other regulatory proposals covering a range of products from buses to brandy butter. Mr Roger Freeman, the British minister for deregulation, unveiled the campaign at a London small business conference co-hosted by Mr Johann Farnleitner, the Austrian economics minister.

The Austrian government, which will take over the European presidency from the UK in the second half of 1998, shares the British government's enthusiasm for cutting the regulatory burden, particularly on small companies. In a paper outlining UK priorities, the government says the EU has made progress in recent months. However, it says the Commission needs to withdraw some significant proposals on subsidiarity grounds to demonstrate that the EU is giving "practical effect of the principle of subsidiarity". *David Wighton*

■ INFLATION WARNING

Pressure to raise interest rates

The government will come under renewed pressure to raise interest rates today after signs of rapid consumer borrowing growth and a warning by an independent adviser that it is no longer likely to hit its inflation target.

Consumers borrowed a seasonally adjusted £1.1bn ($1.7bn) in September, the third successive month that borrowing has exceeded £1bn, the Bank of England, the UK central bank, said yesterday. Consumer credit increased by 16.2 per cent compared with the same month last year, the fastest year-on-year growth rate since comparable monthly records began three and a half years ago, the Bank said.

The upbeat figures point to continued robust growth in consumer confidence. The Bank of England has already said that it would be happier if interest rates were slightly higher than their current 5.75 per cent. Mr Martin Weale, director of the National Institute for Economic and Social Research, who is one of the "wise persons" who advise the Treasury, warns today in the institute's latest Economic Review, that the government now has less than a 50 per cent chance of hitting its target for underlying inflation of 2.5 per cent and urges it to raise taxes in next month's Budget. *Graham Bowley and Robert Chote*

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■ POLITICAL REFORM

Opposition parties edge closer

The opposition Labour and Liberal Democrat parties yesterday established their closest working arrangement since their government pact of the mid-1970s, setting up a joint committee on the implementation of their ambitious constitutional reform programmes.

It aims to produce a mutually agreed programme of legislation for a future Labour government, which would include reform of the House of Lords (the unelected upper House of Parliament), a bill of rights, Scottish and Welsh devolution and the introduction of other forms of regional government.

The new arrangement is a recognition by Labour that – were it to win the next election – its first year in government could become submerged in parliamentary wrangling, if it does not properly prepare the ground for its ambitious constitutional plans. The committee will be led on Labour's side by its shadow chief foreign minister, Mr Robin Cook, and for the Lib Dems by their president, Mr Robert Maclennan. Mr Cook said the two parties remained committed to fielding candidates against each other in the general election. *Robert Peston*

■ BACTERIAL RESEARCH

University fights global problem

The University of Leeds, in northern England, has set up an Antimicrobial Research Centre to tackle the growing global problem of antibiotic resistance in bacteria. The multi-disciplinary centre, with an initial 45 researchers, will be the first in a UK or US university to tackle the issue on a large and coordinated scale, says Professor Ian Chopra, its director. The centre aims to attract at least £6m ($9.4m) in research funding. *Clive Cookson*

ARTS

Television/**Christopher Dunkley**

An American tale artfully told

As well as huge pleasures, there are, of course, faults in Robert Hughes's eight-part series *American Visions* which begins on BBC2 this coming Sunday evening at 7.20pm.

Described as a look at the American story seen through the lens of its art, the series contains irritations as well as good jokes, subjects which go on too long, and others on which you wish Hughes would say more. But before coming to any of the detail what ought to be said is that this is an important series.

It is important not because it lasts eight hours, or because it cost the BBC and its co-producers (Planet 24 and Time Inc) squillions, but because it proves so vividly that television can still make serious authored arts series and deliver them in grown up English.

Perhaps we should have been in no doubt about this; after all, it is only six months since BBC2 brought us Andrew Graham-Dixon's *History Of British Art* which so clearly displayed the idiosyncratic authorship of its presenter. However, since Graham-Dixon was fairly new to television that might have been seen as a lucky chance. Hughes, on the other hand, is well known for his 1980 television series on modern art, *The Shock Of The New*, so the producers, led by Nicholas Rossiter, had a pretty clear idea of what they would get when they went back.

Sure enough, *American Visions* is written and presented with the same pleasing mixture of elegance and belligerence.

Knowing that this time Hughes was devoting himself not to the international arts world but specifically to American culture, I assumed before watching that the series had been prompted by his most recent book, *Culture Of Complaint, The Fraying Of America*, which flings such refreshing buckets of common sense over the heated subjects of victim culture, political correctness, and multiculturalism. But it quickly becomes clear that this is not so. Indeed, there is generally less outright expression of Hughes's own opinions in this series than one might have hoped.

He is at his most interesting not when acting as an Attenborough-style tour leader presenting us with a world of facts, but when he gives rein to his critical instincts and combines his knowledge with his own reactions. The straighter this comes from the shoulder, the better.

There is a moment in programme seven when it is difficult not to leap from the old green sofa cheering. Showing us around Barnett Newman's series of canvases called 'Stations Of The Cross' with their sub-Mondrian straight black lines on white, Hughes declares: "As documents of early minimalism they are not without interest, but as a narrative of the suffering and passion of Jesus Christ they're utterly absurd. Newman once said 'I thought our quarrel was with Michelangelo.' Well bad luck Barney. *You lost!*" That sort of left to the jaw, delivered with a grin, is too rare. True, he sometimes makes his opinions plain without being over explicit.

In programme six, for example, you see his admiration for Edward Hopper – "A painter that I trust absolutely" – even though Hughes describes his style with expressive accuracy as "a peculiar mixture of voyeurism and discretion". And his high regard for Thomas Jefferson becomes clear in the opening programme although he draws attention to the anomaly of drafting the Declaration of Independence ("all men are created equal and independent") while using slaves to maintain your beautiful Palladian house.

However, for large parts of the series Hughes sticks to the Attenborough job. Beginning in today's Caesar's Palace, Las Vegas, he takes us back to the neo-classicism of the 18th century and then, in subsequent programmes, goes back further still before working more or less chronologically through successive schools of painting, architecture, and sculpture. We go once again in considerable detail over all that 19th century landscape painting, much of it ghastly, which featured so in Simon Schama's series *Landscape And Memory* on BBC2 last year, we have a look at Audubon's birds, swing through Shaker furniture, Frederick Remington (boo!), Frank Lloyd Wright (hurray!), art deco skyscrapers, O'Keefe, and so on to the modern period and the artists with whose work we most readily associate Hughes.

"American art tells the American story," says Hughes, and clearly there is truth in this. American viewers will probably find this series a particularly rewarding experience, though some will also be annoyed by the occasional lack of reverence. But American painting does not tell the whole of the American story. It is not even told by painting, sculpture and architecture combined. Indeed some would say that, of all countries, America's story is least extensively told by these traditional visual arts because America is a country where other cultural media have predominated. Photography, cinema, popular music and television have been enormously important in the US, and although Hughes touches on photography during the civil war and the early days of immigration, and mentions Charlie Chaplin as an immigrants' icon, he otherwise pays remarkably little attention to them. Even more disappointing, Hughes – an Australian who lived in Italy and Britain before going to New York in 1970 to become art critic of Time magazine – remains solidly rooted to an American point of view.

As we near the end of this millennium it could be argued that the most important aspect of American culture is the extent to which it is seen by those outside the US as posing an imperialist threat. Hughes ends his series in a somewhat downbeat mood (though he finally goes out to the strains of *Gone With The Wind*, declaring with a smile that "Tomorrow is another day") because, he says, the American art scene is not what it used to be. Perhaps not, but if you listen to the French, to many Africans, and to those attempting to haul the nations of eastern Europe up out of the ruins of communism, what you hear is how terrifyingly successful today's American culture is internationally, from Disney to CNN, from Arnold Schwarzenegger to *The Golden Girls*.

Finally a matter which is not, perhaps, Hughes's direct responsibility but which he could, presumably, have influenced had he wished. *American Visions* is yet another series in which paintings are shown not occasionally but habitually in that "Hey look at me!" style where the sensibilities and preferences of the television producer are pitched above those of the artist. Over and over again the viewer is introduced to a painting not as the painter intended – seeing the whole of it at once – but in the fashion of some ludicrous peekaboo quiz, starting with an incomprehensible close-up of an inconsequential detail (a shoulder strap, a single leaf) and then crawling around the canvas before finally zooming out to reveal all. In any decent television arts department it should be a sacking offence.

Theatre/**Ian Shuttleworth**

Elegy for an entertainer

The main characteristic of Monday's press night, sad and perhaps strange to relate, was not the play itself but the absence of the much-loved critic Jack Tinker, who had died suddenly earlier that day. A minute's silence was observed after the performance for a man who combined immense knowledge of theatrical data and people alike with an irrepressible sense of fun.

As we remembered the last of his breed, a reviewer who regularly filed his copy by phone immediately after performances, it was grimly appropriate that the play being opened was in part an elegy for a dying culture – John Osborne's *The Entertainer*.

Stephen Rayne's production is edited down to around two hours and 20 minutes, which excises entirely the characters of Archie Rice's brother Bill and his daughter's fiancé Graham.

The product is a more concentrated family drama, with some of the later scenes attaining a claustrophobic intensity. Graham and Bill's presence only in reported events, together with reports of Archie's financial and personal misalliances, give the impression of a group of people to whom things, if they happen at all, do so at one remove. This is a mixed blessing, as it both increases the stifling atmosphere in the living room and prevents any alleviation of it by outside characters or events – Archie's stage sequences neither are nor should be any kind of relief.

Michael Pennington's Archie is oddly reminiscent of Michael Gambon – not specifically the latter's 1993 television performance in the play, but the vein of tired brutality which underlies so many of his performances. In the stage scenes, Pennington hits, as it were, the right bum note as he wheedles, croons and taps his way to oblivion. His disintegration in the final sequence is beautifully handled.

However, Rayne's decision to erect the stage-upon-stage to the rear of the living room set rather than in front of it has several disadvantages: most of the time it distances us from the pitiful spectacle of Archie's grease-painted hollowness and on the one or two occasions when he nevertheless ventures to the front to perform to us we are unsubtly reminded that the episodes in question must be especially significant.

In fact the combination of this staging and edit of Osborne's script severely lessens his intended sense of linkage between the defeated family, the dying medium of music hall and the terminal decline of England. All three are perceptible but Rayne has placed the family both literally and figuratively centre stage and in so doing has drawn the play's teeth to a large extent.

Alastair Muir

Little Englander: Michael Pennington as Archie Rice

Arts Council policy stymied by cash crisis

The Arts Council of England launched its long awaited drama policy yesterday and produced the dampest of damp squibs – good intentions but no firm decisions.

This is hardly surprising, since the Arts Council is currently as mesmerised as a rabbit in a car's headlights while awaiting the announcement, in the November Budget, of the size of its annual grant for 1997-98.

It is very pessimistic, terrified that the projected £3.2m cut in its revenue, from a current grant of £186m, will be even greater. There are rumours flying around Whitehall that the Arts Council might suffer a £10m, or more, reduction. In such circumstances it is impossible to plan policy.

Mary Allen, the secretary general of the Arts Council said yesterday: "If we get a standstill grant there will be temporary closures for some theatres. We want £5m extra for drama alone".

She is unlikely to get that, although, with an election on the horizon, the raiding of the heritage budget may not be so bad as some commentators fear. The arts have been so softened up that if, for the first time they get what they have been promised – the £3.2m reduction – they will feel relieved.

Of course the government, or rather the Treasury, will justify a slimming in subsidy by pointing to the Lottery, which is pumping around £250m annually into the arts in England. But this is still concentrated on capital projects.

In time smartly modernised theatres will emerge which will be able to attract larger audiences. Last week the Oxford Playhouse re-opened after a Lottery financed facelift. In December the Cambridge Arts re-opens. But in the meantime the theatres of England are in a sorry state.

Allen reckons that a representative collection of 33 of the leading theatres have a collective deficit of £8.3m. Years of under-funding have taken their toll, with 7 per cent fewer productions on offer between 1986/7 and 1994/5, and a fall in audiences of 13 per cent in the same period. Revenue from sponsorship and donations has fallen by 32 per cent. There is no way that the Arts Council can devise a strategy for the theatre in the key areas of touring, investment in new work, culturally diverse productions, and access for new audiences, without more cash.

Allen used the launch of the drama document to produce more muscle for Virginia Bottomley, the heritage secretary, in her fight with the Treasury.

Antony Thorncroft

Consummate mistresses of the monologue

The solo performances that Maggie Smith and Margaret Tyzack give in Alan Bennett's *Talking Heads* make one very proud to be a London theatregoer.

Muriel, in *Soldiering On*, is one of Bennett's finest portraits of Englishness. Like all the *Talking Heads* – originally seen on TV in 1988 – this is a series of several soliloquies.

In this case, each one marks a new stage of Muriel's rapid social decline; and Bennett's plotting is at its most brilliant, allowing her laconically to disclose one or more fresh bombshell in each episode.

She is a prosperous widow who adores her son and thoughtlessly represses her daughter. She discovers that her son is financially and emotionally fraudulent and that her late husband sexually abused her daughter. She is financially ruined by her son, and neglected by him too. Each of these facts becomes the more telling because she touches on it so briefly.

As Muriel, Tyzack – standing with her feet planted well apart and lifting her chin pluckily to speak; or smiling bravely as she relates the next silver lining she has discovered to the next cloud – is excellent.

Few actresses so naturally convey this kind of English stoicism. The manner is that of Joyce Grenfell's Lumpy Lattimer but the content is very different. After hinting at the fresh news of her husband's abuse of her daughter, she grips with one hand the handle of her chair – it is as near to a pang of horror as she will ever show.

In *Bed Among the Lentils*, Maggie Smith is Susan, the alcoholic wife to Geoffrey, a vicar. She keeps contemplating, bleakly and cynically, the ways of God: whom she never ceases to consider, even while she doubts his existence.

From first to last, she expresses failure, and it is her thoughts of God – more than of her husband or of his loyal parishioners – that keep confirming her sense of failure. And her most heinous sin – her visits to have adulterous sex with a married Indian grocer – is the experience that brings her closest to happiness. Even then, however, she keeps referring to God. I praised Smith's performance of this monologue in the highest terms when she first performed it onstage this summer in Chichester. Three months later, her account is even more consummate.

Her delivery is, or seems, slower, and every line makes maximum effect on the audience. I think I preferred it brisker and simpler, but I am no less in awe of this yet more dazzling delivery. The voice, so acidly full of chest and nasal tones, is sheer oil-and-vinegar; in a faintly regional accent, she etches every phrase burningly onto the air and her genius is at its most evident in physical terms.

Sitting thin, knock-kneed, and lank-haired at the start, fidgeting unhappily with her cardigan, eyes dully but bitterly fixed on the banalities of the day, she is wholly riveting – as she is later when, smartened up and more erect and in reform, she continues to convey the same forlorn bleakness.

On other occasions, I want to argue about Bennett's stature as a dramatist. His cleverness of observation – very evident here – is rather too consciously wielded ("Blue fingernails but civil enough otherwise"), and his cosy narrowness of spirit, so shrewdly covering sentimentality with a thick crust of cynicism, irritates me.

In both monologues here, however, he refines his art to its purest. He is a supreme distiller of Englishness, yes. Yet, in the final resort, even Englishness becomes immaterial here, and he confronts us with nothing but human spirit.

Alastair Macaulay

INTERNATIONAL ARTS GUIDE

Oct 31

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Berlin Sinfonietta: with conductor Matthias Elger, the Berliner Konzert-Chor, and vocalists S. Weiss, E. Dressen, R. Ginzel and Th. Witting perform works by Mozart and J.S. Bach; 8pm; Oct 31

DANCE
Deutsche Oper Berlin Tel: 49-30-3438401
● Undine: a choreography by John Neumeier to music by Henze, performed by the Ballett of the Deutsche Oper Berlin. Soloists include Raffaella Renzi and Lisa Cullum; 7.30pm; Nov 1

■ BIRMINGHAM

CONCERT
Symphony Hall Tel: 44-121-2002000
● Czech Philharmonic Orchestra: with conductor Libor Pesek and cellist Truls Mork perform Dvorák's Cello Concerto in B minor and Symphony No.7 in D minor; 8pm; Oct 31

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Requiem: by Verdi. Conducted by Horst Meinardus, performed by the Philharmonisches Sinfonieorchester Köln, the Philharmonischer Chor Köln and the Fleischmann Choir Cork. Soloists include soprano Natalia Dercho, mezzo-soprano Lioba Braun, tenor Endrik Wottrich and bass Alexandre Vassiliev; 8pm; Nov 1

■ HELSINKI

CONCERT
Finlandia-talo - Finlandia Hall Tel: 358-9-40241
● Helsinki Filharmonia: with conductor Michael Christie and violinist Jennifer Koh perform works by Ives, Tchaikovsky, Barber and R. Strauss; 7pm; Oct 31

■ LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1261261
● *Boris Godunov*: by Mussorgsky. Conducted by Johannes Wildner, performed by the Oper Leipzig and the Gewandhausorchester.
Soloists include Cornelia Helfricht, Ofelia Sala Piqueras, Monte Jaffe and Jörg Schörner; 3pm; Oct 31

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Medici String Quartet: perform works by Haydn, Janácek and Ravel; 7.30pm; Oct 31

DANCE
Royal Opera House – Covent Garden Tel: 44-171-2129234
● The Royal Ballet: perform Frederick Ashton's La Valse to music by Ravel, Christopher Weeldon's Pavane pour une Infante Défunte to music by Ravel, Kenneth MacMillan's La Fin du Jour to music by Ravel and Frederick Ashton's Daphne & Chloë to music by Ravel; 7.30pm; Oct 31

THEATRE
Barbican Theatre Tel: 44-171-6384141
● Macbeth: by Shakespeare. Directed by Tim Albery, performed by the Royal Shakespeare Company. The cast includes Brid Brennan, Jan Chappell, Column Convey, Arthur Cox and Robert Demeger; 7.15pm; Nov 1, 2 (also 2pm)

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● Fabric of Enchantment: Batik from the North Coast of Java: influenced initially by the deep red and blue hand-painted cottons and tie-dyed silks of India, the batiks of the *North Coast of Java* ultimately took inspiration from many sources. Duth, Javanese, Indo-Arabian, Indo-Chinese, and Indo-European entrepeneurs created a unique blend of cultural elements that rivaled the batiks of the central Javanese courts. This exhibition of 50 batik textiles from the collection Inger McCabe Elliott traces the stylistic development of the colourful cloths from the mid-19th century to the mid-20th century; from Oct 31 to Jan 26

■ MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Philharmonic Orchestra of Moscow: with conductor Mark Ermler and violinist Julia Krasko perform Tchaikovsky's Violin Concerto and Nutcracker; 10.30pm; Oct 31

■ MUNICH

DANCE
Nationaltheater Tel: 49-89-21851920
● Shannon Rose: a choreography by Vàmos to music by Sibelius, performed by the Bayerisches Staatsballett. Soloists include Judith Turos, Luca Masala and Kirill Melnikov; 7.30pm; Oct 31

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● New York Philharmonic: with conductor/vocalist Bobby McFerrin and pianist Chick Corea perform works by Mozart, Fauré and Bizet; 8pm; Nov 1, 2 (2pm)

EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● CHIM: The Photographs of David Seymour: the first full-scale retrospective of the work of the photojournalist David Seymour (1911-1956), one of the founders of Magnum Photos. Seymour, also known by his "nom de photo" CHIM, used his camera to record the political upheavals, wars and social changes transforming his world. The exhibition features approximately 120 photographs and is largely drawn from the museum's holdings of the photographers work; to Nov 3

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● The Bartered Bride: by Smetana. Conducted by James Levine, performed by the Metropolitan Opera. Soloists include Stratas, Kuebler, Bogachov and Plishka; 8pm; Nov 1

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Munio Gitai Weinraub: exhibition devoted to the work of the architect Munio Gitai Weinraub (1909-1970) who was a student at the Bauhaus in Dresden in the early 1930s and formed a partnership with Al Mansfeld for 20 years (1937-1959), realising about 250 projects, mostly in the Haifa region; to Jan 6
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
● Patrick Vilaire – Reflection on Death: exhibition of seven monumental iron sculptures by Patrick Vilaire (b. 1941), a contemporary artist from Haiti; from Nov 1 to Dec 22
Musée Picasso Tel: 33-1 42 71 70 84
● Picasso. Gravures. 1900-1942: exhibition featuring 230 graphic works by Pablo Picasso; from Oct 30 to Jan 20

■ STUTTGART

OPERA
Kammertheater in der Neuen Staatsgalerie Tel: 49-711-19704
● Il Mondo della Luna: by Haydn/Steinke. Conducted by Francesco Corti and performed by the Staatsoper Stuttgart; 7pm; Oct 31

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Lucia di Lammermoor: by Donizetti. Conducted by Adam Fischer, performed by the Wiener Staatsoper. Soloists include Andrea Rost, Jean-Luc Chaignaud and Guiseppe Sabbatini; 7.30pm; Oct 31

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Ian Davidson

Duels in Dublin

Britain's determination to exploit its veto will provoke a dispute with its partners at the EU summit in December

There has only ever been one big question facing the intergovernmental conference for reforming the European Union: can member states avoid a bitter showdown between the British government and its European partners? The answer is probably no; and we seem to be moving inexorably towards that showdown at the next European summit, in Dublin in six weeks.

Most member states want the conference to take the EU further down the road of integration. But the British government opposes any such moves, especially if they have overtly political or constitutional implications.

Since Britain's Conservative government is the prisoner of the Eurosceptics in the party, this dispute leaves the other member states with only three possible options: they can accept the outright failure of the IGC; they can engineer an extension of the conference, in the hope of better prospects if the next British general election (due by next spring) produces a Labour government; or they can go for an open confrontation with the government of Mr John Major. France and Germany have opted for confrontation; and Britain has picked up the challenge.

The paradox is that the showdown will be over what is called "flexibility". Last week France and Germany proposed new clauses in the EU treaty which would make it possible for *like-minded member states* to move ahead together in new areas of closer integration, even if all 15 states did not wish to do so. But within days, Mr Malcolm Rifkind, the British foreign secretary, told the House of Commons that the UK would insist on keeping its *right to veto any such freelance integration* by other member states.

What the British government particularly objects to in the Franco-German proposal is that it would permit "flexible" integration inside the institutions of the EU – the Council of Ministers, the Commission, the Parliament and the Court of Justice.

"We must consider," said Mr Rifkind, "the extent to which groups of European Union states will be able to act together, when not all member states wish to do so, and still have access to European Union institutions. If they do not want access to EU institutions, there is no problem.

"However – this is a fundamental British position – access to European Union *institutions for those in* such agreements is acceptable only if all 15 states agree."

This is a dramatic reversal of policy. In the past, the British government has trumpeted the virtues of its right to opt out of common policies adopted by the others. Now, it claims the right to prevent any additional integration in Europe by others, even if it does not itself take part.

Apparently the British government has caught fright at the danger resulting from its own policies: that a political inner core of member states could be formed, linked to economic and monetary union, from which it would have excluded itself.

When France and Germany first mooted the idea of a "flexibility" clause last December, they were thinking of it mainly as a way of circumventing the British.

But in last week's detailed proposals, they said that Europe needed new arrangements for "flexibility", in order to be able to deal with the problems of enlargement to the east. "If the full implications of this prospective enlargement are to be taken into account, institutional preparations will also be required. The introduction of one (or more) *clause(s) allowing closer* co-operation is thus needed to enable those states that are willing and able to do so to press ahead towards fuller European integration more quickly than others."

What this means is that France and Germany are having fundamental second *thoughts about the political* and institutional implications for the EU.

An EU of 25 or 30 member states simply cannot be a unitary Union, in which all member states would be full and equal partners in all policies. This is partly a question of the vastly different levels of economic development. But it is much more a matter of simple arithmetic. If such a large *Union is not to be strangled* by bureaucracy or paralysed by national vetoes, it must move a long, long way down the road to federalism.

There is virtually no basis of support for such an idea inside the existing Union, and much less among the candidate countries. The IGC has been debating the extension of majority voting in a few policy areas; but nothing even remotely far-reaching enough to cater for a mega-Union.

It seems to follow, therefore, that a mega-Europe *must* be a multi-level Europe, with inner and outer tiers.

The difficulty is that the enlargement problem has now got mixed up with the British problem; and if the British have their way, they may effectively prevent enlargement on any terms that would permit the Union to function. If that *were to happen*, it would be difficult to overstate the depth of the crisis that *would erupt between* Britain and Germany.

I ran into an old Community hand from the UK the other day, and he poohpoohed my concerns. "It's all right," he said. "They've decided to finish the IGC next June, so nothing has to happen at Dublin. All we *have to do is get past the* election."

Such serenity is misplaced. Ireland will have a treaty text ready in time for the Dublin summit. There will, of course, be issues where *detailed* text has not been agreed. But there will probably be enough support for *increased integration*, including "flexibility", to guarantee that the summit will be a confrontation between Britain and the rest.

For electoral reasons, the *British government* may think it can do well out of such a confrontation. This will be a tragedy, and a stupid tragedy.

Sitting tight: Rifkind will insist on keeping the UK's veto

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

OECD best hope for investment pact result

From Mr Stephen J. Canner and Mr David G. Strongin.

Sir, We agree with the general thrust of your October 17 editorial "Investment pact", that a multilateral agreement on investment (MAI) is needed to cover the patchwork quilt of treaties between governments protecting direct and portfolio investments. But we could not disagree more with your conclusion that an investment pact should be concluded under the World Trade Organisation.

Current efforts to conclude a multilateral agreement on investment under OECD auspices are the right way to achieve this goal. They are the best hope for concluding a comprehensive agreement with high standards for liberalising and protecting investment. It is also desirable for such an agreement to provide for accession by non-OECD members.

If such negotiations were undertaken by the WTO it is clear that any agreement would, at best, be watered down, offering investors little new liberalisation and protection. Indeed, several emerging markets have already indicated strong opposition to including investment rules in the WTO. The interim WTO financial services pact and the meagre results achieved in the TRIMS (trade related investment measures) agreement, also underscore the difficulties of attempting to craft an agreement on investment. Indeed, even after nine years of negotiations, several countries refused to commit ongoing investment practices to their General Agreement on Tariffs and Services schedule.

In light of this, we believe it is only under the auspices of the OECD that an investment pact of the tightest standards can be reached in the immediate future. Ultimately, the standards in a multilateral agreement on investment should become part of the WTO disciplines. This will depend on achieving a critical mass of developing countries convinced of the need for a high standard investment agreement. WTO can help achieve this objective by starting an educational and analytical discussion of investment and its relation to international trade. But to achieve the high standard multilateral agreement on investment global investors require, it is imperative we conclude the negotiations in the OECD.

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Securities Industry Association,
1401 I Street NW,
Washington DC 20005, US

Flawed view of way to remain competitive

From Prof Jordi Gual.

Sir, Stephen Roach makes a misleading assessment of the objectives and the need for corporate restructuring in Europe ("Lessons in restructuring," October 22). Any assessment of international competitiveness based on differences in hourly compensation is deeply flawed.

Since David Ricardo, the 19th century economist, we know that countries with higher labour costs tend to have also higher productivity, and comparisons of cost competitiveness must be based on unit labour costs, at the very least. Europe fares much better on this account.

More importantly, it cannot be the case that "the ultimate objective of corporate restructuring" is "labour cost compression". This is an extremely shortsighted view which should be unacceptable to European companies and European societies. The purpose of corporate restructuring should be a lasting improvement in the market position of the company.

This may involve some labour cost cutting, and it is certainly facilitated by flexible labour markets, but for most European companies it should mean an investment in the development of better products and services, and the use of a better qualified and better paid labour force.

Jordi Gual,
professor,
IESE,
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08034 Barcelona, Spain

Heathrow's value being put at risk

From Mr Richard P. Botwood.

Sir, There are a large number of issues which have been aired in your columns and elsewhere in connection with the contemplated American Airlines/British Airways alliance. One which is often neglected is the preservation of the pre-eminent position of Heathrow in the interests of the UK, the airline industry and its users.

Heathrow is the world's foremost international airport: it is the principal gateway to Europe and an asset of very substantial value to the UK economy. Alongside the need to ensure that competition between airlines is preserved, there is the equally important requirement to secure Heathrow's enviable position against competition from other European hubs.

Thus, the regulators should be looking not to the narrow commercial interests of the participants or to means of halting the trend towards greater concentration in the industry, but to ways in which Heathrow's limited number of slots can best be used to its long-term advantage as Europe's number one airport and a national asset of such importance.

Richard P. Botwood,
director-general,
The Chartered Institute of Transport,
80 Portland Place,
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UK

No cynic counting on social security

From Mr Alex R. Cohen.

Sir, As an American undergraduate freshman, I was surprised by your columnist's statement that members of my generation were cynical about social security ("All work and no pension", October 26/27). I, for one, had never even thought about it; I had just assumed that I would be on my own 47 years from now, with only my own resources to support me.

I would not describe that as "cynical". Cynicism implies worrying about something.

When it comes to social security, my only worry is about those members of my generation who are counting on it. Some of us, who will spend an outrageous amount of money making good on federal promises three times our age, may have no other option.

Alex R. Cohen,
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Washington, DC 20016,
US

Hidden liability of PFI expenditure

From Mr Clive Bates.

Sir, Your editorial "Progress on the PFI" (October 22) argues that private finance may be "a desirable means of delivering public services at lower cost", but also notes the dangers of storing up current expenditure commitments.

As an example, £800m of road-building projects has been agreed by the government so far this year under the design, build, finance and operate (DBFO) part of the private finance initiative. Instead of drivers paying real tolls, the next government and its successors will pay "shadow tolls" to the developers for 25 years.

Without the PFI, construction cost would be paid by the government making the commitment. It would register on the public sector borrowing requirement and be included in calculations of Maastricht monetary convergence criteria.

However, with the PFI the current government bears no fiscal responsibility for the expenditure, the true level of public spending is disguised and tax cuts become feasible where they would otherwise be ruled out.

An aspiring Labour government should be alert to the tax liabilities mounting through this deferred public spending. Enthusiasm for the PFI should be tempered until a proper framework of political accountability is in place.

This requires the system of accounting for public spending to be overhauled to reflect the consequences of a "spend now, pay later" option for governments in a tight fiscal corner.

Clive Bates,
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Trading in futures

Mark Ashurst on black empowerment among South Africa's stockbrokers

If Mr Emmanuel Lediga could recruit every black stockbroker in town, his new firm would boast two qualified staff. But the 29-year-old chief executive of Legae Securities, South Africa's first black-run stockbroker, is not deterred by the scarcity of black professionals at the Johannesburg Stock Exchange. "I'm an irrepressible optimist," he says. "In 10 years we will be right up there with the top guys."

Legae is the only broker in the country both owned and managed by blacks, an achievement made more remarkable by the fact that Mr Lediga qualified as a stockbroker just four months ago. A former business reporter for the Star, Johannesburg's daily newspaper, he became the first black dealer on the trading floor in 1993.

The launch of Legae is the latest in a series of business ventures that have brought 17 black-controlled companies to the 108-year-old stock exchange in the last three years. Earlier this week, a group of 25 black trade unions and business groups became the largest shareholders in Johnnies Industrial Corporation, the holding company with interests in industries from brewing to pay television, in a R2.7bn ($574m) deal.

These ventures are part of a drive to bring economic "empowerment" to South Africa's black majority, to keep pace with South Africa's political transformation. Mr Lediga believes Legae has an important role to play in this process.

"Current [white] fund managers are not in a position to understand empowerment," he says. "If you look at the current changes, we need people with a much better ear, who are more creative – who can add a new perspective."

Analysts say the new firm could win about 1 per cent of the South African broking business within three years. This is roughly equivalent to the proportion of the Johannesburg Stock Exchange's R1,200bn market capitalisation controlled by black investors.

The firm's principal asset is race. "We will be the experts on black business. We want to be the first port of call for black companies coming to the market and for anyone looking for shares in black companies – we'll know who's got what," predicts Mr Lediga.

His view that the future lies with firms that reflect the new colour consciousness permeating South African business is shared by Mr Ed Hern, a veteran stockbroker who sold his Johannesburg firm last year to BoE NatWest, a subsidiary of NatWest Markets. He has set up a new firm, Equisec, which is 75 per cent owned by black business and trade union federations but managed by whites.

"As an Afrikaner, I have been amazed by the number of doors that have opened as a result of black ownership," he says. "For the first time in my career, I can talk to the finance minister. On the corporate side, we are seeing five or six new propositions a month."

Both Equisec and Legae emphasise they are also courting business from white institutions. "It is not in the interests of this country to colour our money black and white," says Mr Marinus Daling, chairman of Sanlam, the insurance group founded in 1918 to give Afrikaners a stake in the colonial economy then dominated by English-speaking businessmen. "It is coloured white at the moment, and this is the reason we have black economic empowerment."

> There is a consensus in Johannesburg's financial community that black-owned stockbrokers will help to create the new South Africa

But there are immediate commercial benefits to be gained. Some international fund managers, particularly in the US, are required by their trustees to support black enterprises in South Africa.

And black stockbrokers are well placed to snap up lucrative government business. Mr Trevor Manuel, the first black finance minister, and a guest at Legae's launch party, is keenly courted by corporate financiers.

Ministers plan to begin the privatisation of state assets such as South African Airways and Telkom, the telephone company, next year. The prospect of a role in these flotations has become particularly attractive since the deregulation of the bourse a year ago led to a halving of the commissions on routine trading. "We will definitely be able to handle a placement," says Mr Lediga. "Privatisation will kickstart our move into corporate finance."

Such work is likely to remain beyond Legae's capacity for the foreseeable future. But the firm has close ties to Simpson McKie James Capel, a local subsidiary of HSBC, the international banking group, which loaned most of Legae's R3m start-up capital. HSBC has already seen the benefits of working with black ventures: last month, it was appointed as the government's general adviser on privatisation – the state's most sought-after advisory contract.

And there is a consensus in Johannesburg's financial community that black-owned stockbrokers will help in the creation of the new South Africa. "We are putting a lot of effort into our image," says Mr Roy Anderson, the Stock Exchange president. "We want the Stock Exchange to be seen as a national asset, to be used by all South Africans."

COMMENT & ANALYSIS

FINANCIAL TIMES
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Wednesday October 30 1996

Repaying old debts

Eurosceptics have a new weapon in their battle to keep the UK out of European monetary union – the arithmetic of European public pensions. The UK is the only country in Europe which has stopped making unsustainable pension promises to its baby-boomers. Inside the single currency, critics argue, this advantage would be lost in a sea of pension debts run up by the UK's partners.

This argument is the not-so-hidden subtext of a report published tomorrow by the all-party Commons social security committee. The report is formally aimed simply at raising the profile of unfunded pension liabilities – state pension commitments not matched by specific assets – across Europe. It argues that these hidden debts should be taken into account, both in determining countries' fitness for joining the single currency and in the monitoring of public debt and borrowing after monetary union.

Yet the authors are careful to point out the difference between the UK's position and that of the rest of the European Union. At present, the report reckons that the UK's unfunded pension liabilities come to about £4,000 per head; the average for EU member states is £30,000.

Very large numbers are good for scaring the children; and European countries' implicit public pension debts are certainly immense. Acting to reduce these debts and make state pension schemes sustainable ought to be a high priority for all member states. But they are unlikely to pose the same risks to the economic stability of Emu as other, more visible, kinds of government profligacy. And it not obvious that they add to the UK's potential costs of joining.

Pension liabilities

The May issue of the International Monetary Fund's World Economic Outlook calculates that, in 1994, the UK and the US were alone among leading industrial countries in having public pension liabilities with a net present value of less than 68 per cent of gross domestic product. The figure was closer to 80 per cent of GDP in Italy and well over 100 per cent in France and Germany, compared with less than 10 per cent of GDP in the UK. It is inconceivable that all these promises will be met – or that financial markets would consider breaking them to be on a par with a government default on its bonds.

Commitments broken

Fifteen years ago, the UK balance sheet looked much less favourable. It has improved because a series of reforms have drastically cut the state pension people can expect when they retire. In other words, the government reneged on its implicit commitments. Continental countries can and will do the same – albeit, probably, later and in a less sweeping manner.

Given the much stronger public support for the old-style social contract in most Continental countries, the critics may be right to suspect that a significant share of the unfunded liabilities will be met by some combination of higher taxes and government borrowing. But the UK would be indirectly hurt by these higher taxes only if they came alongside moves toward greater harmonisation of EU taxes. If this occurs it will be an EU affair – membership of Emu is unlikely to make a difference.

In theory, the "no-bail-out" provision of the Maastricht Treaty means the UK will not be held responsible for other countries' debts, whether implicit or explicit. The danger that countries will nonetheless consider Emu entry a cue for higher public borrowing is a real one. But it is not dramatically increased by the existence of large, unfunded pension debts. And, to the extent that the fiscal stability pact is effective, it will prevent countries borrowing to pay for pensions as much as for other reasons.

A failure to reform European pension systems carries important risks – as would the UK entering Emu. Each should be taken seriously in its own right. They should not, however, be confused.

Cold feet in France

Ridding the state of a ruinously expensive white elephant ought to be a politically popular move in a country where taxpayers complain bitterly about the financial burdens imposed on them by their government. But not in France, where plans to sell Thomson Multimedia, the loss-making state-controlled consumer electronics company, to Daewoo of South Korea have provoked a storm of protest from trades unions and opposition socialist parties.

So vigorous has been the reaction that it has raised doubts in the stock market about whether the government will proceed with the deal, which also includes the sale of Thomson's profitable defence business to France's Lagardère group. More worrying still is that this is only the latest symptom of growing pressures on French authorities to revert to nationalistic industrial policies at the expense of commercial good sense.

Other symptoms include unease about British Airways' bid for Air Liberté, a small French airline, and the efforts being made to line up a French buyer for the controlling stake in Valeo, the car components maker, owned by Mr Carlo De Benedetti, the Italian industrialist. Meanwhile, a parliamentary inquiry is under way into plans by Britain's GEC to take a stake in Framatome, the French nuclear engineering company.

Defensive mood

There is a risk that the defensive mood will develop into a popular backlash against the Chirac administration's attempts to promote long overdue restructuring of the state sector. The government has shown a commendable readiness to brave controversy by announcing plans to privatise France Télécom and break up the railways. Its willingness to consider foreign investment in the nuclear sector – long the supreme embodiment of the nation's industrial pride – is also a bold break with the past.

These moves implicitly recognise the failure of France's past efforts to breed "national champions", sheltered from market forces. The cost can be counted in the poor performance of state-owned companies such as Bull, Air France, Crédit Lyonnais and Thomson Multimedia. But the task of reform has been made no easier by successive governments' insistence that such companies, for all their manifest weaknesses, were industrial crown jewels. That partly explains the outcry over the sale of Thomson.

Anaemic growth

But the deal also appears to have become a touchstone for other forms of discontent. Anaemic growth, a chronically high unemployment rate, a sharp rise in business failures, pressures on government spending and fiercer international competition have all contributed to a sense that the traditional French model of capitalism is no longer working. Opposition to the Thomson deal looks like a desperate attempt to cling to the old order.

Fear that the socialists will capitalise on this malaise in the next parliamentary election campaign may prompt the government to soft-peddle industrial reforms, at least temporarily. But it should on no account reverse them. The need for radical restructuring to restore competitiveness is increasingly accepted by private sector managers, and by the heads of some state groups. Furthermore, the government's efforts to satisfy the Maastricht convergence criteria will make it increasingly hard to continue bailing out corporate lame ducks.

The authorities need to be equally resolute in resisting domestic pressures to step up discrimination against investors from abroad. Not only would that risk violating EU rules. It would harm the French economy by depriving it of access to much-needed management skills, innovation and capital. These reasons make it essential for the government to press ahead with the Thomson deal. To do otherwise would call into question the credibility of all its industrial reform plans.

In search of an agenda

Trade ministers are struggling to agree on the objectives of their first WTO meeting next month, says Guy de Jonquières

In barely six weeks, ministers from more than 100 countries will gather in Singapore for their first meeting since the World Trade Organisation was set up at the start of last year. But some trade diplomats are already asking whether their journey will be really necessary.

The talks are the first in a regular series of biennial meetings intended to bring a more businesslike approach to the tortuous task of liberalising global markets. Yet after months of discussions in Geneva, WTO members are still at odds over what, if anything, the event should aim to achieve.

Some trade diplomats fear the Singapore meeting, expected to draw about 5,000 participants, could be embarrassingly short of substance or – still worse – become a public platform for WTO members' disagreements.

"The WTO certainly needs more ministerial input," says one diplomat. "But perhaps it would be better off without this kind of meeting."

This weekend, Mr Renato Ruggiero, WTO director-general, will try to persuade trade ambassadors to resolve their differences before their last scheduled preparatory discussions on Thursday of next week.

Even the normally ebullient Mr Ruggiero has lowered his sights, after talking up the meeting as a showpiece which would raise the organisation's profile. Though he still hopes it will be useful, he says it is unlikely to produce "extraordinary new things".

In the old General Agreement on Tariffs and Trade, ministers met only sporadically, often in response to sudden crises in bargaining. Establishing a formal timetable was intended to enhance the role of the WTO and engage governments more deeply in formulating trade strategy.

However, efforts to construct an agenda for the first new-style meeting have so far produced more discord than harmony.

One reason for the difficulties is timing. Only three years after finishing the Uruguay Round, the world's most comprehensive trade package, most governments are deeply reluctant to contemplate another such gruelling marathon.

In any case, the US has failed to win a fresh negotiating mandate from Congress, where disenchantment with free trade initiatives is widespread. Meanwhile, the forthcoming presidential election has pushed trade policy still further down Washington's list of political priorities.

As a result, few liberalisation deals are expected to be clinched in Singapore. Hopes centre mainly on a proposed agreement to eliminate by 2000 tariffs on information technology products. Efforts will also be made to revive stalled WTO talks on opening telecommunications markets.

More seriously, the debate has exposed stark differences about where the multilateral trade system goes next – and how fast. These differences have so far blocked agreement on a draft political declaration setting out future objectives, to be endorsed by ministers in Singapore.

In principle, the WTO is already committed to an onerous "built-in agenda" of work stretching years ahead. As well as completing talks on freeing trade in telecommunications and financial services, its members are pledged to further negotiations on a range of issues, including agriculture, services and intellectual property rights.

The keenest arguments are about what, if any, other tasks the WTO should take on. The US is seeking action to increase transparency in public procurement. The European Union wants talks on the relationship between national competition policies and trade, and on international rules to guarantee fair treatment of foreign investment.

Most controversially, both powers want the WTO to play a role in upholding core labour standards. They warn of a protectionist backlash in industrialised countries unless the issue is addressed.

These demands face stiff resistance from developing countries. Some want the WTO to avoid new issues altogether and stick to implementing existing Uruguay Round commitments – notably undertakings by the US and EU to open their textiles markets.

Almost all developing countries are dead-set against discussing labour standards. They say the WTO is the wrong forum to deal with the subject, and claim industrialised nations want a pretext to legitimise trade restrictions. Although the US and EU have recently softened their demands, they could still create frictions in Singapore.

"If the issue is not resolved it could become a stumbling block to progress on all other issues of interest to other delegations. Settling it is vital to the WTO's credibility," says Mr Yeoh Chow Tong, Singapore's trade minister, who will chair December's meeting.

Almost as contentious are calls for talks on rules for foreign investment. Though backed by Mr Ruggiero and some developing countries, such as Brazil, the idea is bitterly opposed by others, led by India and Malaysia.

Finding a consensus to tackle competition policy in the WTO is proving little easier. Japan, Hong Kong and South Korea want discussions on restricting the use of anti-dumping measures, an idea firmly rejected by the US and EU. There is also a stalemate over proposals to prevent environmental protection measures distorting free trade.

Meanwhile, WTO committees working on many other, supposedly routine, reports to the ministers have been beset by delays and disagreements. Consensus is also lacking on how to tackle the "built-in agenda" of future negotiations.

Sir Leon Brittan, the EU's trade commissioner, wants the Singapore meeting to launch preparations for a full-scale trade round by the end of the century. But he has won little support, even from EU members. Some, like France, fear the idea would accelerate planned negotiations on agriculture and other sensitive sectors. Most other WTO members are also unenthusiastic.

Putting a brave face on these setbacks, trade diplomats in Geneva insist there is still time for compromises before December's meeting. In any case, some say, even an inconclusive outcome in Singapore would not be disastrous for the WTO.

The new organisation's basic machinery is running smoothly. Its authority has also been strengthened by governments' eagerness to use its new trade disputes settlement mechanisms to adjudicate international disagreements over issues such as the EU's banana import regime.

Ms Charlene Barshefsky, acting US trade representative, argues that ministers do not therefore need to intervene in the WTO's day-to-day affairs. Instead, they should act as a "board of directors", periodically reviewing progress.

But other observers see no point in ministers meeting every two years if there is little to discuss or decide. That could blunt, not sharpen, their appetite for further liberalisation.

World trade policy has struggled to find a clear direction before, particularly after big trade rounds. However, the apparent hiatus this time may present more serious challenges – not least because trade is increasingly central to most countries' economies. Last year, goods and services exports equalled 24 per cent of world output, up from 17 per cent a decade before.

But while that growth is a tribute to past success in opening markets, the WTO has still to prove it can mobilise the leadership and vision needed to keep the process moving forward.

The US long provided those qualities in the Gatt, setting the agenda and coaxing and cajoling other countries into agreement. But Washington appears to have lost the will and capacity to continue. No other WTO member is equipped to fill the vacuum, while Mr Ruggiero's role is constrained by the limited powers of his job.

Some observers had hoped developing countries would play a more active part in the WTO, after many participated enthusiastically in the Uruguay Round. Instead their increased involvement appears a mixed blessing: it seems to have encouraged some to obstruct more stubbornly proposals they do not like.

"Governments of certain developing countries, particularly in Asia, fear further liberalisation will make it harder to control the pace of their integration into the world economy," says one trade diplomat. "In an organisation which relies on consensus, just one country can hold decisions hostage."

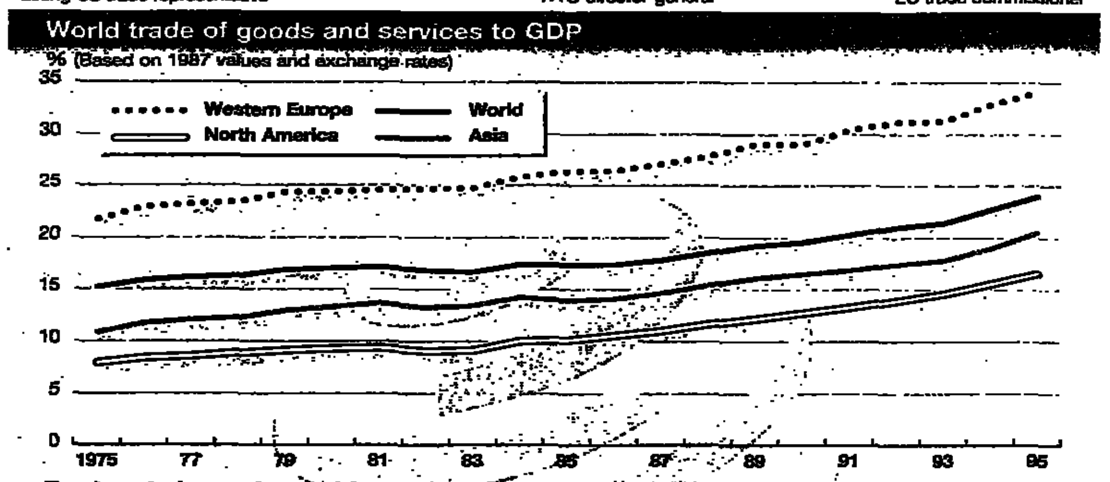
Progress may become even harder as WTO membership expands. About 30 applicants, including China and Russia, are queueing up to join. Most are poorer countries, many of which are still struggling to embrace market economy principles.

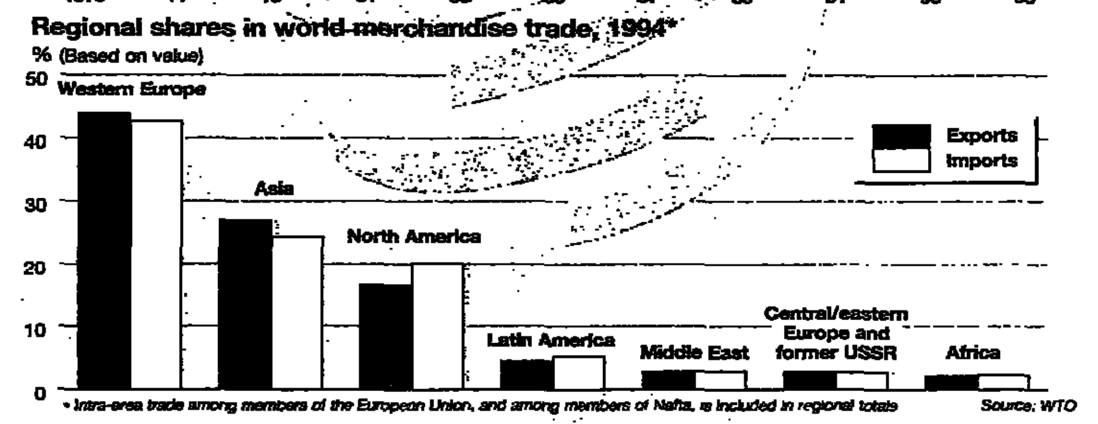
Some observers think these changes call for fundamental reforms in the way the WTO runs its affairs. "What ministers should really be discussing is how to manage this organisation," says one of the WTO's most experienced and respected ambassadors.

That is unlikely to be a high priority at December's meeting – though what else ministers will find to talk about remains an open question. As their officials in Geneva beaver away in search of an answer, Singapore's Mr Yeoh is looking on with a mixture of nervousness and stoical detachment.

Asked what he expects the meeting to achieve, he says: "Being fully aware of the WTO process, I've come to realise how little power the host country has in terms of determining the agenda. I've resigned myself to being a spectator on the sidelines."

Charlene Barshefsky, acting US trade representative — Renato Ruggiero, WTO director-general — Sir Leon Brittan, EU trade commissioner





* Intra-area trade among members of the European Union, and among members of Nafta, is included in regional totals. Source: WTO

· OBSERVER ·

Golden goodbye

■ Helen Junz, the highly-respected, globe-trotting economist who has spent the last two years helping to inject some extra clout into the World Gold Council, is bowing out of the organisation at the end of this week.

London-based Junz, one-time big wheel at both the International Monetary Fund and the Organisation of Economic Co-operation and Development, is stepping down as director of the council's gold economics service.

A US national who was educated in Holland and the US, she was brought in from the IMF in 1994 to help establish some badly-needed credibility for the statistics churned out by the council; the organisation is dedicated to the promotion of gold, whether in the form of jewellery or as an investment. Financed by some of the world's biggest gold producers, it tracks and interprets trends involving up to 80 per cent of global gold demand.

It seems unlikely she'll be replaced in an organisation which may represent some corporate big-hitters but which is said to want to cut costs in the wake of defections among the membership. She will, however, retain the council – based in Geneva – as one of her first clients.

Junz is bowing out to set up her own economic and financial, strategic consultancy and intends to spend more time on some of her "former loves", such as global trade and fiscal policy. The consequences of European monetary union on the corporate sector is already on the action list. She hopes she's helped "demystify" the world of gold; perhaps she can do the same for Emu.

Sporting gesture

■ Investment bankers on the warpath towards globalisation are no respecters of history. Many is the ancient London firm that has had to kiss goodbye to its name as the American and European institutions have marched in with their capital. And it's not just London's problem.

Bain, the Sydney-based investment house, has been around since 1877 and is one of the best-known names on the Australian investment scene. Nowadays it is owned by Deutsche Bank, which bought half the company in 1989 and snapped up the rest three years later.

Through Bain, Deutsche has achieved its highest penetration of any non-German capital market. The moniker question has therefore come up, though Deutsche has diplomatically left the decision as to whether to can the Bain name to the Australians.

Maurice Newman, Bain's chairman, sounds relatively sanguine about changing the stationery. "We believe it is important to make the gesture," he says.

While chief executive John Barnes says he would effect a change "with some trepidation", he does concede "it is important for everyone to be on the field with the same jersey".

No mention was made as to which way the playing field was tilting.

Slow road

■ Early last week a consignment of 1,000 turtles arrived at Stockholm airport. Five days later they were dead – at the behest of the Swedish authorities.

The turtles had been imported by a businessman intent on selling them on as pets. But there turned out to be a number of hitches.

The turtles were on a list of endangered species. Moreover, the animals, which had been caught in Tajikistan and had travelled via Moscow, did not have the necessary import papers. The poor things were in bad shape and reckoned likely to be carrying infection. The EU bans the trade or ownership of endangered animals, so there was no question of re-export.

They were therefore put down in the least painful way – from a reptiles point of view. Freezing.

There it might all have ended had not a little known UK-based organisation called the Tortoise Trust got a whiff of the scandal. Swedish police are now concerned that the trust has broadcast on the Internet the home phone number and address of Annika Ahnberg, the Swedish agriculture minister. Trouble is, the death warrant was not issued by Ahnberg, but by an entity called the Swedish board of agriculture.

Class question

■ Nothing like getting them while they're young. A number of junior schools in Paris have introduced a system in the last few months called "Cartécole". The idea is that each child has a smart card with which to pay for its lunch.

While some parents fear the slide towards a daily clocking-in system, it does at least prepare youngsters for the world of industry.

Though of course the country's unemployment is so high that not all of them may get to sample the real thing.

The Financial Times

100 years ago

Chicago Stock Exchange
All the world and its wife will be rejoiced to learn that the Chicago Stock Exchange, after a period of enforced seclusion, wil again throw open its doors, 5th November being the date fixed for this important event. Meantime a committee of the Exchange has been considering whether any arrangement could be patched up between the Diamond Match Company pool and the Diamond Match brokers, some of whom are now pretty well "stony brokers". Everyone wanted too much, however, and the Committee, after a good deal of worry, threw up the sponge in disgust. Now the brokers are going to sue the pool.

50 years ago

Mexican Oil Dispute
In the opinion of sources in close touch with the Mexican President, it is his firm intention that the oil dispute between the Mexican Government and the British and Dutch expropriated companies shall be settled, or at least ready for settlement, before the end of his term of office on 30th November this year. It is said that he wishes to leave no major problem to the incoming administration of Senator Aleman.

FINANCIAL TIMES
Wednesday October 30 1996

French PM promises a debate on Thomson sale

By David Owen in Paris

The French government yesterday tried to defuse mounting controversy over its handling of the sale of the Thomson electronics group, promising a full parliamentary debate before a definitive decision is taken.

Mr Alain Juppé, the prime minister, told MPs he would ask for a "great public debate on all aspects of this dossier – financial, industrial and social". But he stressed his own continued preference for the offer by Lagardère, the French defence group.

"I have reached the personal conviction that the better offer from the point of view of the interests of France, the national defence, French industry and maintaining jobs was the Lagardère proposal," he said.

Earlier this month, the government said it had chosen *Lagardère in preference to* Alcatel Alsthom, the French telecoms, transport and engineering group. Both companies offered a symbolic FFr1 for Thomson. The French state is injecting FFr11bn ($2.16bn) to offset Thomson's heavy FFr25bn debt.

Opponents of the Thomson deal object mainly to Lagardère's plans to transfer the bulk of the group's consumer electronics business, *Thomson* Multimedia, to Daewoo of Korea. They see Multimedia as a national champion and fear that Daewoo will transfer the benefits of its technological capacity to Korea.

Mr Juppé's remarks come amid fears that leftwing indignation about the sale could also produce an adverse public reaction to other deals involving foreign investors.

The present controversy coincides, *for example, with a* bid by British Airways to take control of Air Liberté, the French regional airline, and with negotiations for the UK's General Electric Company to *take a stake in Framatome*, the French nuclear engineer.

Mr Juppé's remarks seemed to take an immediate toll on the Lagardère share price, which fell FFr3.50, or 2.3 per cent, to FFr151. This followed Monday's fall of FFr11.50, although the shares are still well above their level before Lagardère's victory was *announced. Alcatel shares also fell, dropping* FFr13.40, or 3 per cent, to FFr430. This compared with a 1.15 per cent, or near 25-point fall in the benchmark CAC-40 index.

In a separate development, Mr Alain Prestat, Thomson Multimedia president, yesterday made a rare public pronouncement on the consumer electronics group's performance, saying he expected a "comfortably positive" operating result in the second half.

Interviewed by Le Monde, Mr Prestat acknowledged the company had made heavy losses in the first half, but said it might break even at the net level in the second half.

Editorial Comment, Page 11

Bonn warned over Emu

Continued from Page 1

Waigel has promised further *cuts at the federal level, which* he has said must be about DM3.5bn, but has admitted this will be difficult.

The institutes delivered a scathing assessment of the government's financial policies, accusing Bonn of losing sight of its medium-term goals of rolling back spending and reducing the burden of tax and social security contributions on individuals and businesses.

However, *the institutes made common cause* with Mr Waigel on one point: they criticised proposals for an Emu "stability pact" as less stringent than the German minister's proposals. The lack of automatic sanctions raised the danger that disciplinary steps against countries running excessive deficits in Emu would be "politicised, and that sanctions would be subject to opportunism and negotiation".

Lonrho sale

Continued from Page 1

£650m within a fortnight. It then plans to demerge its African trading businesses.

To facilitate that demerger, Mr Bock, who wishes to acquire a 25 per cent interest in the trading business and become its chief executive, *resigned yesterday* from his post as chief executive of Lonrho, to become non-executive deputy chairman.

He will be succeeded by Mr Nicholas Morrell, who was previously Lonrho's managing director.

Japan closer to accord with US on defence system

By Gwen Robinson in Tokyo

Japan is closer to joining the US in what would become the country's costliest defence project – the joint development of an advanced ballistic missile defence system described by critics as a new "Star Wars" programme.

The US has been pushing Japan to participate in its proposed space and land-based Theatre Missile Defence system (TMD) project since 1993. It argues that Japan enjoys the protection of the US nuclear umbrella and should bear *more of the cost. The UK and* Germany – Nato allies of the US – are considering similar participation in a TMD covering Europe.

In bilateral discussions this week in Tokyo, US and Japanese defence and foreign ministry officials discussed technical details and agreed to meet again early next year. Tokyo has said it will decide whether to participate by next summer. "At the moment we're just talking about technical details; next we need to talk about Japan's future defence requirements with regard to TMD," said Mr Tatsuo Yamamoto, a Japan Defence Agency official.

The system would use spy *satellites to detect hostile* high-altitude ballistic missile launches and send signals to a land-based anti-missile system, which would intercept and destroy the missiles.

Initially, Japanese officials *were reluctant about the US* proposal, which defence analysts estimate will cost Y2,000bn ($18.5bn). Japan would probably have to bear at least half the cost.

But Japan has recently shown interest in the TMD project. Regional territorial disputes with South Korea and China and growing concerns about North Korea's *nuclear arsenal have encouraged* co-operation. The planned reduction of US military facilities and troops in Japan is an extra incentive.

Japan's participation would help the White House overcome Democratic congressional opposition to the plan.

The government has allocated Y440m in the fiscal year to March for preliminary research on the TMD project, and has asked private-sector defence contractors to see how they could contribute to joint development of the system.

The project would be a windfall for US and Japanese defence contractors at a bleak time. As with the F2 collaboration, the main contractors are likely to be Lockheed Martin of the US, Mitsubishi Heavy Industries, and Kawasaki Heavy Industries, with numerous spin-offs for high-tech, electronics and space sectors.

In Japan, the project is likely to bring about resistance from the influential pacifist lobby. Japan's constitution rules out collective defence arrangements except those under the US-Japan Security Treaty.

Austria auctions stolen Jewish art treasures

By William Hall in Zurich

Austria will today close one of the darkest chapters in its history when the hammer falls on the final lot in an auction of art treasures looted during the second world war from the homes of the country's once thriving Jewish community.

Record prices were set yesterday on the first day of the two-day sale, and over $7m was raised – more than twice the estimate for the whole sale. Christie's, the international auction house, said there had been "phenomenal demand" for the hundreds of paintings, drawings and other art objects which lay unclaimed for decades in the 14th century Mauerbach monastery near Vienna.

Most of the proceeds will go to survivors of the Holocaust and relatives of those who died, with some 12 per cent reserved for resistance veterans and their descendants.

The top price was paid for a painting by Abraham Mignon, entitled "Peonies, roses, tulips and poppies in a glass vase", which is typical of the style which graced Viennese sitting rooms before the second world war. It was sold for $1.3m – the organisers had expected between $47,000 and $74,000.

Mr Edgar Bronfman, president of the World Jewish Congress, said the auction, attended by more than 700 people, helped "right an injustice long overdue" and set an example of how to resolve restitution issues.

Most of the art at yesterday's auction was stolen during the persecution of Austria's Jews which began in November 1938 with Kristallnacht, when Jewish homes were looted and ransacked by Nazi stormtroopers. By the end of the war, about a third of the Austrian capital's 180,000 Jews had been murdered – there are now no more than 15,000 Jews in Vienna.

Recent publicity about the size of the Mauerbach collection forced the Austrian government to uphold its legal duty to give back property stolen, confiscated or put in safe-keeping during the war. In July 1995 it transferred ownership of the collection to the Federation of Austrian Jewish Communities. Many of the most valuable art treasures have long since been returned to their rightful owners.

The presence of Mr Franz Vranitzky, Austria's chancellor, at a viewing on Monday evening – Mr Thomas Klestil, Austria's president was too ill to attend – underlined the country's renewed spirit of co-operation with Vienna's depleted Jewish community.

Jewish concerns, Page 2

THE LEX COLUMN

Maastricht manoeuvres

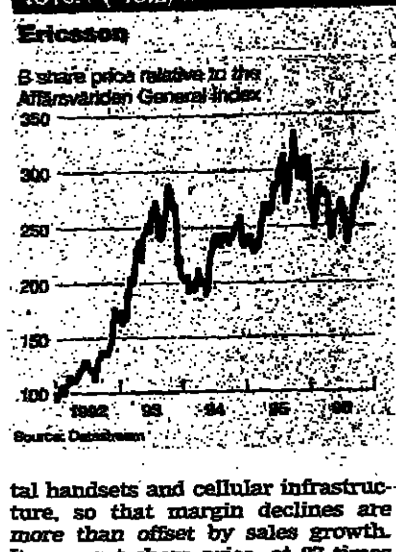
The anxious flurry in European bond and currency markets yesterday said more about the nerves of the participants than any event they were allegedly responding to. Having spent recent months convincing themselves that monetary union in 1999 was a done deal, markets decided it was time for second thoughts. First they worried over a *report suggesting* Germany would not meet the Maastricht treaty budget deficit criterion. Later they took fright at a report suggesting French budgetary manoeuvres to meet Maastricht might be vetoed.

Traders could just as well have focused on the hawkish drum-beat emerging from Europe's central bankers. Mr Wim Duisenberg, head of the Dutch central bank, stressed that economic convergence should be real, not cosmetic. And Mr Hans-Juergen Koebnick of the Bundesbank said *missing the Maastricht deficit criterion* by 10 per cent was not acceptable. The central bankers' line is clear: only the consistently virtuous should qualify, and even they should be subject to a post-Maastricht *stability pact to ensure their continued virtue.*

Realistically, central bankers will not get all they want. But neither they nor the Germans are going to allow so much fudge that the new currency is open to all comers. They will also, *doubtless, demand* tough rules governing the future behaviour of the new currency's members. Yesterday's market jitters were a welcome correction to the convergence fever of recent *months, but investors should not* allow scepticism to turn into panic.

FTSE Eurotrack 200:
1816.1 (-15.2)

Ericsson



Ericsson

Ericsson has defied sceptics by producing a 30 per cent increase in profits against the backdrop of tougher competition and a strong Swedish krona. It has been spared the worst excesses of mobile phone price wars by having no exposure to analogue handsets, while maintaining its position as global market leader in less competitive cellular network equipment. Gross margins edged downwards in the third quarter. But since Ericsson's massive research and development bill is falling as a percentage of sales, operating margins still inched upwards. And this was a period when the sales book grew 32 per cent in US dollar terms, representing healthy market share gains.

The question is whether Ericsson can maintain its leadership in digital handsets and cellular infrastructure, so that margin declines are *more than offset* by sales growth. Its current share price, at 27 times prospective 1996 earnings, suggests over-confidence. But the rating is not as alarming as it sounds. Ericsson is conservatively managed. *Merely shaving* its $3bn a year research and development budget or phasing significant restructuring costs would deliver mouth-watering earnings growth.

Assuming steady margin erosion and a *further strengthening* of the krona, Ericsson should be able to deliver three years of over 20 per cent compound earnings growth. That would bring its price/earnings multiple swiftly down to more conservative levels, suggesting the shares should go higher still.

Leveraged buy-outs

Leveraged buy-outs became synonymous with aggressive late-1980s takeovers such as the $26bn battle *for RJR Nabisco, but* they are making a surprisingly low-key comeback. According to The Private Equity Analyst, LBO funds in the US sat on $38.2bn of cash in January 1996, an 87 per cent increase from 1990. Adding debt, that represents over $150bn of buying power, and the figure is rising rapidly. Kohlberg Kravis Roberts, which won the RJR battle, will shortly add a new fund, raising over $5bn.

The timing is auspicious for raising cash. With Wall Street reaching *all-time highs, institutions have* substantial equity profits and are looking for alternative investments. The snag is that all this cash must be burning holes in pockets. Closed-end funds can be comparatively patient, but they face pressure to justify fees with deals. *Given stiff* competition from *both* trade buyers and other *funds*, that could prove costly. In the UK, venture capital *funds* launched in the crash year of 1987 achieved an annual return of just 3 per cent by 1995 compared with an 11.6 per cent return from funds raised in 1988.

The key is to back experienced managers, preferably those with expertise outside the most competitive markets such as the US and UK. *Most continental European countries, for example, have much smaller stock markets,* offering plenty of unlisted targets for buy-out funds. That must be an easier way to make money than hostile mega-deals after a lengthy bull market.

Lonrho

Lonrho's shareholders have reasons to be thankful for the achievements of Mr Dieter Bock during his four-year tenure at the distressed conglomerate. *But the terms of his exit as an investor are not one of them.* Since Mr Bock's arrival, the shares have more than doubled and Lonrho has become a more focused business. Nonetheless, Mr Bock has now handed *de facto control of Lonrho to Anglo American*, which shows no desire to buy out other shareholders; so out goes the chance of a bid. Moreover, by selling at 180p, rather than waiting to see if Anglo would exercise its *option on his shares at 220p*, Mr Bock has shown little confidence in the prospects for Lonrho shares.

Of course, the sale of Lonrho's hotels looks imminent, bringing group debt down to around £100m. *And the subsequent flotation of its African trading business could* leave the company with £500m of net cash. The trouble is that, while shareholders would previously have expected to get their hands on much of the proceeds, with Anglo in the driving seat that now looks a *very distant possibility.*

Mr Bock will be departing with over £100m of profit, but Anglo has got a sweeter deal. For an outlay of £350m, it has gained effective control of a much larger cash pile. It has *blocked out other bidders for Ashanti Goldfields*, which is 30 per *cent owned by Lonrho. And it is left* with an arm-lock over the majority of the world's platinum production.

Additional Lex comment on UK economy, Page 18

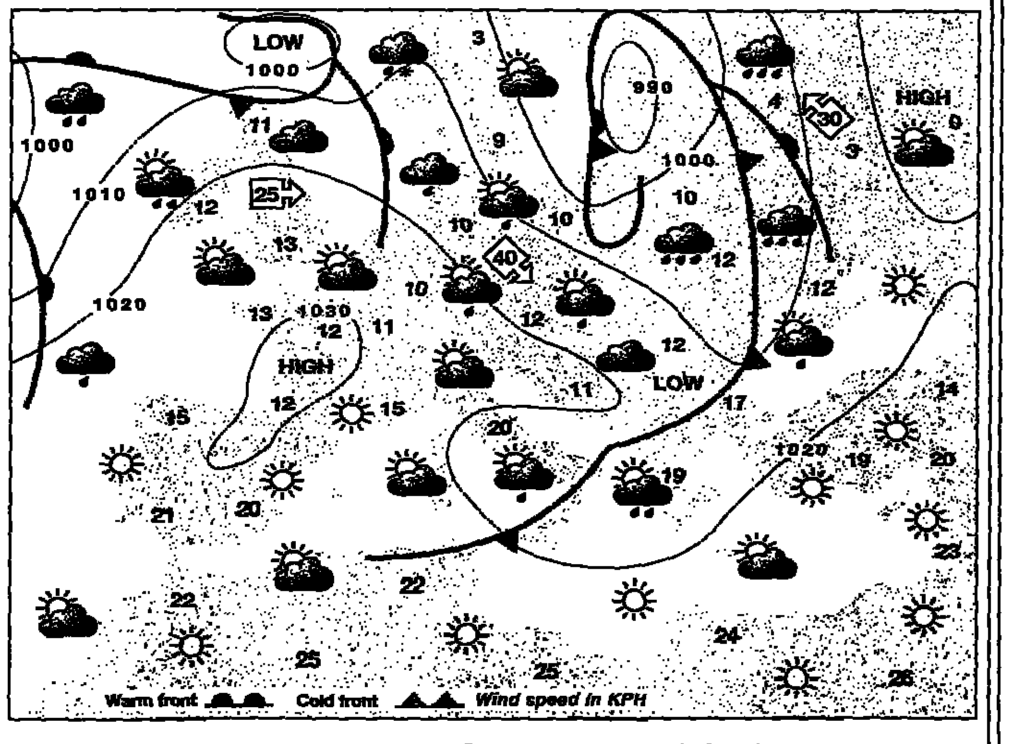
FT WEATHER GUIDE

Europe today

High pressure will promote fine *conditions with abundant sunshine* over the Iberian peninsula and southern France. Southern England, Belgium and northern France will be dry and sunny. Low pressure over southern *Scandinavia* will maintain a *strong westerly flow over most of* the British Isles, the Netherlands, northern Germany and especially Poland. These areas will be rather cloudy with a few showers. Cloud and rain will occur along the *northern Alps. A front associated* with low pressure over the Baltics will cause rain in Belarus and Ukraine. The southern Balkans will have showers.

Five-day forecast

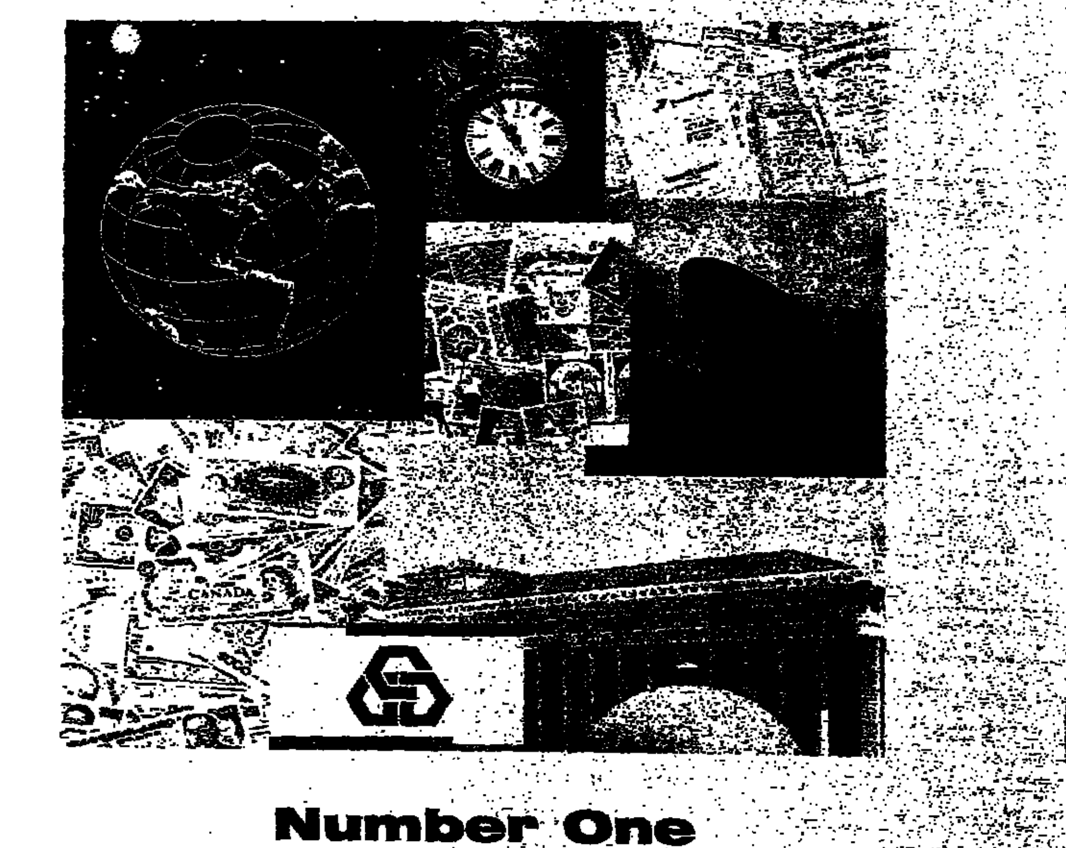
High pressure will persist in the western Mediterranean promoting ample sunshine over the Iberian peninsula, southern France and Italy. It will be unsettled with strong winds and occasional heavy rain from the *British Isles to the northern Alps and* Poland.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

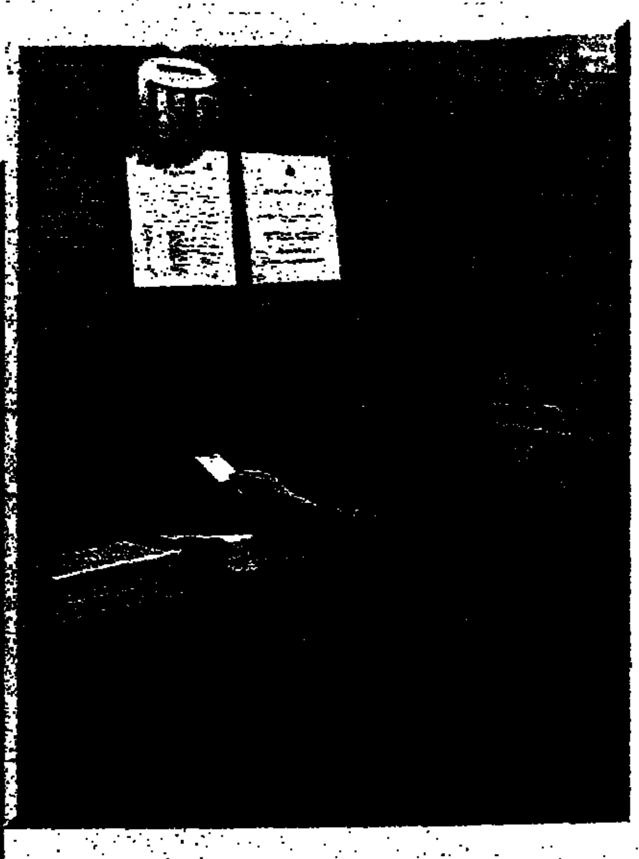
City	Maximum Celsius	City		City		City		City		City	
Abu Dhabi	sun 32	Beijing	sun 16	Caracas	thund 32	Faro	sun 22	Madrid	sun 17	Rangoon	cloudy 32
Accra	fair 30	Belfast	shower 12	Cardiff	cloudy 13	Frankfurt	cloudy 10	Majorca	fair 19	Reykjavik	snow -1
Algiers	fair 20	Belgrade	shower 11	Casablanca	sun 20	Geneva	fair 11	Malta	fair 23	Rio	fair 23
Amsterdam	shower 11	Berlin	shower 9	Chicago	cloudy 12	Gibraltar	fair 20	Manchester	fair 12	Rome	fair 20
Athens	fair 21	Bermuda	fair 25	Cologne	cloudy 10	Glasgow	cloudy 13	Manila	shower 31	S. Frsco	fair 18
Atlanta	fair 26	Bogota	cloudy 20	Dakar	sun 31	Hamburg	shower 10	Melbourne	fair 18	Seoul	fair 18
B. Aires	sun 21	Bombay	sun 31	Dallas	sun 27	Helsinki	rain 8	Mexico City	fair 25	Singapore	shower 31
B.ham	fair 12	Brussels	cloudy 11	Delhi	sun 32	Hong Kong	fair 28	Miami	fair 30	Stockholm	fair 9
Bangkok	shower 35	Budapest	fair 11	Dubai	sun 32	Honolulu	fair 30	Milan	fair 15	Strasbourg	cloudy 11
Barcelona	sun 17	C.hagen	shower 9	Dublin	fair 13	Istanbul	fair 17	Montreal	cloudy 9	Sydney	sun 20
		Cairo	fair 23	Dubrovnik	rain 18	Jakarta	shower 30	Moscow	cloudy 4	Tangier	sun 21
		Cape Town	shower 22	Edinburgh	cloudy 13	Jersey	fair 14	Munich	rain 8	Tel Aviv	fair 23
						Karachi	sun 34	Nairobi	shower 28	Tokyo	fair 19
						Kuwait	sun 32	Naples	shower 19	Toronto	cloudy 12
						L. Angeles	shower 18	Nassau	fair 30	Vancouver	sun 12
						Las Palmas	sun 26	New York	shower 18	Venice	fair 14
						Lima	cloudy 21	Nice	sun 19	Vienna	fair 12
						Lisbon	fair 19	Nicosia	sun 23	Warsaw	windy 10
						London	fair 14	Oslo	fair 6	Washington	cloudy 23
						Lux.bourg	fair 8	Paris	fair 12	Wellington	fair 16
						Lyon	fair 11	Perth	shower 26	Winnipeg	snow 0
						Madeira	sun 23	Prague	shower 7	Zurich	shower 10



POLISH SERVICE INDUSTRIES

Young grab their big opportunity

Traditional heavy industries have been slimmed down as the younger generation steps up to drive exciting growth in sectors from finance to tourism, writes Anthony Robinson



Plastic banking *(above)* and a stock exchange *(left)* are among the instititions of Poland's new economy. There have been big changes in the retailing sector *(above left)*, too

Pictures by Gregory Wrona and Anthony Robinson

While Poland was a Soviet-style "People's Republic" the economy remained strongly biased towards heavy industry, and concepts such as service or consumer choice were officially considered alien, if not subversive. But, over the past seven years, an entirely new service-orientated economy has been grafted on to the remnants of the old system.

It is an economy whose rotagonists are mainly oung, enthusiastic and ard working. The collapse communism created paralleled opportunities r the growing generation, ose future would have en bleak under the old system.

Suddenly, age and experience became a positive disvantage. Instead, the ining future" which communism had failed to liver, opened up for a younger generation unsullied by the bad working habits of communist times and open to the new skills demanded by a market-based economy aiming to qualify for membership of the European Union by the turn of the century.

"What impresses me here is the enthusiasm, driving ambition, and desire to learn *of our young staff,"* says Stan Szczurek, a Polish-American who heads ING Bank's Polish operations.

The luckiest of all have been the better-educated, multilingual young who have been the target of recruitment by the international companies attracted to the biggest and fastest-growing economy in central Europe. Others have grasped the opportunities for setting up their own companies. More than 2.5m private companies have been created over the past seven years, reflecting the entrepreneurial flair which is transforming the Polish economy into a sort of Baltic northern Italy.

The institutions of the new economy – stock exchanges, commercial banks, advertising agencies, public relations companies, legal, accounting and consultancy firms and the like – make up the interconnecting tissue crucial to the efficient working of a market-based economic system. They were simply not needed by the former command economy, and had to be created virtually from zero.

This has not meant re-inventing the wheel, but introducing and adapting to *Polish circumstances* institutions and methods already tried and tested in the west.

Pre-war Polish commercial law, for example, was based on the German model. It is being brushed up and modernised by introducing the modifications required to make it compatible with European Union rules and regulations. The Warsaw Stock Exchange (WSE), on the other hand, reflects the adoption of Anglo-Saxon attitudes and methods.

A powerful regulatory commission and tough disclosure rules have created an enviable reputation for honesty and transparency in a very short time. Share prices on the WSE rose 65 per cent in dollar terms during the first nine months of this year, pushing total market capitalisation above $8bn. This is small change compared with established stock markets in western Europe. But trading began only in 1991 with five newly-privatised companies, and the list has swollen to 80 quoted companies, creating a solid platform for future growth.

The hard core of the Polish economy is still to be found in its steel mills, shipyards, mines and heavy engineering factories. Many have been closed, and the surviving traditional industries have been shedding workers to become more competitive under the pressure of market forces unleashed in 1990. The new jobs and the dynamism which now pervades an economy growing at an official 6 to 7 per cent annually has come mainly through the rapid development of trade and financial and other services.

"We are seeing an explosive growth of employment in the financial services, tourism, leisure, healthcare and other new sectors," says Grzegorz Kolodko, the finance minister. "Tourism, for example, was never seen as an industry. But we are now part of the worldwide expansion of the sector, with huge implications not only for infrastructure development and the construction of hotels, golf courses, yachting marinas, but also for employment and training," he adds.

The structural changes in the Polish economy have already led to a dramatic shift in the pattern of unemployment. At first, the fall in industrial output and the drift from the land resulted in a rapid rise in unemployment to over 16 per cent of the labour force. The advent of new industries, and above all the fast development of banking, financial services, wholesaling, retailing and marketing services such as advertising and public relations as well as travel, tourism and telecommunications, has fuelled economic growth and contributed to rising real incomes which has helped to cut unemployment to 14 per cent.

The challenge ahead *is* how to raise the efficiency of the service and financial sec*tor and make it capable of* absorbing foreign investment, and channelling domestic savings into the heavy investment needed to modernise the physical infrastructure and sustain growth in the 21st century.

Success could well hinge on the implementation of plans to replace the existing health and welfare structure by a fully-funded system. This would force Poles to save more and provide a steadily-rising flow of funds to institutions such as pension and investment funds which are currently in their infancy.

Comprehensive reform of the social security system is one of the key elements in the "strategy for Poland" up to the year 2000 drawn up by Mr Kolodko, who retains *overall control of economic* strategy following a recent government reshuffle. This eliminated seven economic ministries and created four new ones, including a powerful new treasury.

The current system pays inflation-linked pensions to 9m Poles, nearly a quarter of the total population, and consumes 20 per cent of budget revenues. The aim is to switch to a funded pension system and encourage the spread both of private pensions and healthcare provision. With elections looming next year, the politically contentious reform appears to have been moved to the back-burner, as have plans to restructure the loss-making coal industry, another heavy drain on the state budget. But the prospect *of fundamental reform* of the social security system holds out the promise of big business for insurance companies and pension and investment funds.

The insurance market is currently regulated by a 1990 law which requires separate companies to deal with life insurance and general insurance and requires foreign concerns to form joint-ventures with Polish ones. By 1999, however, the doors will be open to wider competition, and it is a similar story for the banking industry.

The prospect of increasing foreign competition in the run-up to full membership of the EU is one of the main *spurs* pushing Polish service industries to raise the quality of their products.

This is particularly *marked* in the banking sector, where early foreign entrants, such as Citibank, have been joined by a raft of European banks. These include the Dutch ING group and Allied Irish Bank, which have taken Bank Slaski and Wielkopolski Bank Kredytowy, respectively, under their wing, and a slew of Austrian and German banks.

IN THIS SURVEY

Production Editor: Ian MacDonald
Graphics: Steven Bernard

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■ Banking • by Anthony Robinson

Small banks have unsure future

Sector begins to feel the benefits of strong action to improve efficiency

As a pioneer of banking reform in former communist Europe, Poland suffered some spectacular own-goals; the most spectacular was the Art-B scandal, through which some $200m – or roughly 0.35 per cent of the country's entire GDP – disappeared from the Polish banking system in 1991.

But, having suffered such embarrassments early on, the pressures to improve central bank surveillance of the sector's system and create a cadre of bankers capable of making realistic risk assessments was very strong.

The benefits are now starting to come through. The country still has too many of the small, under-capitalised banks which were given banking licences too easily in the early days of reform. Probably only 15 of the 72 banks currently operating have a long-term future in a sector which, with more than 150,000 employees, is one of the country's biggest employers.

But at a time when a flurry of bank failures has cast an unwelcome spotlight on the Czech banking system, when the OECD worries publicly about the solidity of the Slovak banks, and the Bulgarian banks are in crisis, the Polish banking system is starting to turn in solid profits and healthy reserves.

"The Poles attacked their bad debt problem early, when margins were artificially high and inflation was wiping out the real value of debt," says Stan Szczurek, the head of ING bank's Warsaw branch. "So they socked all profits into reserves, and in the meantime everyone was training, re-organising and sending people abroad to learn. You learn faster when you are in a bad situation. But now they're busy making money and improving the quality and range of services."

The acquisitive Dutch group demonstrated its confidence in the future of banking in Poland two years ago when it acquired a 54.1 stake in Bank Slaski, the second of nine former state-owned commercial banks hived off from the central bank in 1989 and slated for eventual privatisation.

Christopher Mallin, global banking analyst at ING Barings, put this enthusiasm into perspective at an eastern European banking conference in London last month. For all the progress made since banking sector reform began in 1989, Poland is still the least-banked country in central Europe.

"Poland has a highly concentrated banking system with huge growth potential for financial intermediation, especially in lending to the private sector," he said. The top five Polish banks have a 66 per cent share of total assets, which is in line with the situation in the Czech Republic and Hungary but below the 79 per cent of the biggest Slovak banks.

But while Czech banks' lending to the private sector is equivalent to nearly 66 per cent of GDP, the lending of Polish banks to the private sector is equivalent to only 12 per cent of GDP.

Such comparisons are always distorted by special factors. Many Czech enterprises formally floated through the mass privatisation coupon system, are still far from having clear owners capable of restructuring the enterprise. In Poland, most of the nearly 2m registered companies may be very small but most of them are genuinely private and scores have already grown into medium or large enterprises.

Satisfying the expanding future financial requirements of private companies, which until now have expanded mainly on the basis of retained profits and loans from the extended family, is expected to fuel growth in the corporate finance divisions of the banks for decades to come. This is the huge potential for future growth spotted by ING and other foreign investors in the banking sector such as Allied Irish Bank. The latter is expected to build its current 36 per cent minority holding in Wielkopolski Bank Kredytowy into a controlling stake next year.

The state's involvement is still seen as being too great

Retail banking is another big area of potential expansion given the low level of saturation. A study by Merrill Lynch estimated that Poland has only 91 bank branches per 1m inhabitants in a country where most people have traditionally kept their savings in a sock. The low density of banks also creates huge opportunities for the spread of automated teller machines (ATMs) as banks seek to improve services and coverage.

Ryczard Pazura, deputy minister of finance in charge of the banking system and financial institutions, notes that "smaller banks are specialising to survive, both in the geographical areas they serve and the types of business they do." Not all private banks will survive to tell the tale, however. Many are expected to merge or disappear as the banking system consolidates around fewer but larger and better capitalised banks.

The weakest links are to be found among the 1,500 small rural co-operative banks linked to the Food Industry Bank BGZ which has been re-capitalised at taxpayers' expense twice over the past three years but which enjoys considerable political protection from the peasants' party.

Looking ahead, government policy is to accelerate the privatisation process. "The state's involvement in the banking sector is still too big, says Mr Pazura.

"It remains dominant over 68 per cent of the banking system. The goal is to privatise all the banks. But the capital markets are still weak and banks already represent over 35 per cent of total capitalisation on the Warsaw Stock Exchange.

The government's original plan was to rapidly privatise all nine regional commercial banks, but the task proved more difficult than imagined. To speed up the process, the government recently persuaded three of the regional banks, based in Szczecin, Lublin and Lodz, to join forces with Pekao Bank to create the largest banking group in Poland.

Earlier plans to form a similar grouping around Bank Handlowy, the profitable former foreign trade bank, have been dropped. This leaves Handlowy free to push forward with its own plans for privatisation, probably through the stock market, and search for a strategic investor willing to help what in many ways Poland's leading bank fight off increasing competition from foreign, especially German banks.

The hope is that privatising the Pekao group, which controls 23 per cent of the assets of the entire banking system, will be easier and quicker than privatising the four banks separately. Critics argue that it will take so long to weld the four banks into a coherent whole without sacrificing too much of their local flavour that the net effect might be to delay its privatisation until 1998 or beyond.

But a more concentrated, efficient banking system is clearly being created, motivated in part by a keen awareness that if Polish banks are not able to deliver a similar level of service as the foreign banks their initial advantage of a broader customer base will soon erode.

The benefits of strong central bank surveillance are now being felt Picture: Gregory Wr

■ Case study - ATMs • by Anthony Robinson

Machines are poised

Banks may have sprouted like mushrooms in recent years, but for the overwhelming majority of Poles who are paid weekly in cash, getting money in and out of accounts often means waiting in a long queue.

This is good news for Michael Brown, a self-confessed former "software freak" from Kansas City whose Euronet ATM service company has already acquired access to 78 per cent of all automatic teller machine cards in Hungary. Now he is poised to repeat the performance in Poland, a country with four times as many potential customers but with fewer than 250 ATMs currently installed.

"In Hungary we increased the number of [ATM] transactions because we are not limited to placing our machines in banks", says Mr Brown, the founder and chief executive of Euronet. "We place our ATMs in stations, shopping malls, petrol service stations – wherever there is a crowd," Mr Brown explains.

Euronet, which aims to to spread its ATMs throughout Europe, began operations in Hungary and sees potential for exponential growth in central Europe when employers shift to paying wages and salaries into bank accounts.

"In Hungary, over 17,000 new accounts were opened overnight when Matav, the state telecoms company, switched to electronic payment transfers. In Poland, the government has decreed that millions of state employees will be paid through bank accounts by the end of 1997," he adds.

The first breakthrough into the Polish market came in May when Euronet signed a contract with Wielkopolski Bank Kredytowy. WBK, the first Polish regional bank to be privatised in 1993, has been in the forefront of technical innovation thanks to its World Bank-sponsored "twinning" arrangement with Allied Irish Bank. Euronet's second contact was with Lodz-based Powszechny Bank Gospodarczy (PBG), which is expected to spread its bank card expertise among its partners in the recently-formed Pekao bank group.

Openness to new technology, especially among the ambitious younger generation, is widespread. But the idea of an economy in which banks, like other companies, outsource services and skills, sometimes meets a wall of incomprehension at first.

"We are an outsource provider, and this is a difficult concept to sell in this part of the world", Mr Smith says. "We buy ATMs in bulk from the manufacturers; we set up satellite dishes and get the ATMs operational much quicker and much more cheaply than banks can do for themselves.

"That's all we do, and we do it all day long. It's not rocket science, but it sure makes sense for the banks and we get a fee for every transaction," he adds.

■ Case study - retail banking • by Christopher Bobinski

A liking for plastic

Plastic cards are taking Poland by storm as banks rush to install cash machines and the number of shops prepared to accept credit and charge cards grows. Indeed the banks' efforts to provide electronic services to their customers may mean that Poles never come to use the paper cheque on as big a scale as in other countries.

Twenty-six of Poland's banks are already offering electronic banking services – some, such as Citibank and the Export Development Bank (BRE), to individuals – in a development which marks a significant leap forward for wealthier retail clients.

Cards are becoming increasingly familiar. Banks have bought around 780 automatic telling machines (ATMs), and more than 350 have been installed. The banks estimate they will need 6,000 machines to fulfil demand as more than 500,000 Poles now possess ATM cards.

The ATM is beginning to be seen in the workplace as many companies replace the wage packet with direct payments into personal bank accounts. The Polish Bank Association (ZBP) estimates that over 4m such accounts have been opened and some banks are automatically issuing debit cards as the accounts are opened.

The local plastic card market is fiercely contested by Visa, which has seen around 140,000 of its cards issued in Poland, and the Europay group, which reports more than 150,000 of its cards in circulation. Krzysztof Pietraszkiewicz, the ZBP's general secretary, predicts that there will be up to 5m cards in the country within four years, compared to 32,700 in 1994 when cards first came on the scene.

The move to plastic is being accompanied by a revival of loans to individual customers as they recover from the shock they suffered in 1989: then, interest rates rocketed overnight as the government moved to squeeze three-digit inflation.

On the other hand, the banks are realising that loans to fund consumer spending are not only more lucrative than investment credits but safer as well. Mr Pietraszkiewicz says the failure rate on these loans is just 2 per cent.

While, so far this year, the value of consumer loans amounts to only 13 per cent of overall bank lending, they have grown by 64.5 per cent compared to a 19 per cent increase in corporate loans during the corresponding period of 1995. Polish banks have lent a total of 61bn zlotys to companies and 9bn zlotys to individuals in the first nine months of this year.

This small consumer credit boom helps to explain the sudden growth in the sales of cars, to 290,000 in the first eight months of 1996, when the industry had estimated demand to reach no more than 200,000 for the whole year. Leading car producers, such as Ford and General Motors, are establishing banking operations locally with a view to financing car purchases. GE Electric, which opened a small local bank in Gdansk last year, has made car loans a speciality.

There is still one area of consumer lending which has yet to take off – home purchases. Housing property is still too expensive for the majority of the population, and banks are still unsure whether they would be able to repossess real estate from defaulting borrowers.

■ Financial services • by Christopher Bobinski

Warsaw exchange proves to be a robust youngster

Finance is more readily available now, but there is a gap in long-term funding

Poland's capital markets have come a long way since 1991 when the Warsaw Stock Exchange (WSE) started up with just five stocks, and bank loans represented the only way companies were able to raise funds.

The bourse has grown, under the watchful eye of its chairman, Wieslaw Rozlucki, into a robust youngster with 80 companies listed. Its market value is around $9bn, corresponding to some 7 per cent of GDP.

Banks are finding that they have to compete with short-term commercial paper as well as bond and share issues which are helping to cover corporate financial needs. Government bond issues, as well as treasury bills, are also providing companies with alternatives to bank deposits.

Stephen Dwyre, of Citibank Polska, estimates that while the value of total loans in the Polish banking system is $22.5bn, capital markets – including the Warsaw SE companies – have a value of $25bn, with government securities totalling $15bn and corporate debt instruments such as commercial paper and bonds a further $550m.

While short and medium-term financing is available, there is a gap in long-term funding, according to Jan Ledochowski, of SBC Warburg. "This will be the case while inflation is still high, but companies now have no way of issuing a 10-year bond," he says.

Such long-term paper would be bought by pension funds, if there were any. Pension funds will appear on the scene once the government resolves the country's pension reform issue, which would also play a key role in expanding the stock exchange.

Meanwhile the Warsaw bourse is set to see 100 companies listed by the end of the year, according to Jacek Socha, the head of the Securities Commission (KPW) which has kept the market free of major scandals even if its regulations make trading unwieldy by western standards.

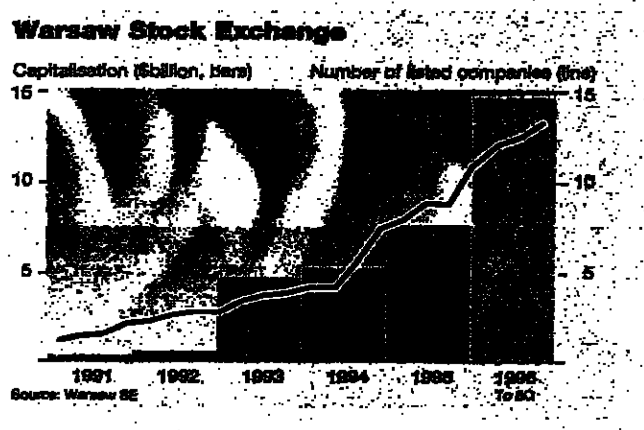
The WSE's paperless, order-driven system, which still limits price movements to 10 per cent up or down on any one day, has brought stability to the market. It did, however, suffer a big slide in 1994 which scared away large numbers of initially enthusiastic small investors.

Nevertheless, there are still 843,000 investment accounts open with stockbrokers, even though larger investors have come to dominate the market. Mr Rozlucki estimates that around 25 per cent of Warsaw SE shares are held by foreign interests. He wants to see the exchange grow to reach a market value equivalent to 20 per cent of GDP.

"I think this an absolute minimum if we want to become a significant regional trading centre", he says. Some help will come from Poland's mass privatisation scheme, prepared with advice from SBC Warburg, which will see the 15 investment funds set up last year seeking a listing next spring.

These funds own strategic stakes in 510 formerly state-owned companies and have a market capitalisation of around $1.5bn at current prices. Their flotation should stir interest among small investors, of whom around 24m have decided to participate in the scheme by buying coupons which give them the right to one share in each fund for a payment of 20 zlotys.

The market will also grow as the government sells off leading companies such as KGHM, the giant copper producer – expected in the middle of next year – and more state-owned banks such as Bank Handlowy.



A start to the sale of Telekomunikacja Polska (TP SA), the telecommunications operator, is expected in 1998.

Meanwhile, companies already listed have been using the market to raise capital, with Optimus – a computer company – being the first to borrow $30m with an issue of bonds convertible into stock.

Some listed banks, such as the Export Development Bank (BRE) and the Polish Development Bank (PBR), as well as Bank Handlowy, have raised funds abroad through eurobonds.

Poland's accession to the OECD means that the country has pledged to make its currency fully convertible by the end of the century, as well as to open up to foreign banks and insurance companies. It also means that soon capital flows will run two ways.

In Poland there are 36 licensed brokers, many of which are owned by commercial banks. The sector reported a turnover of 27.1bn zlotys in the first nine months of this year.

The Bank Handlowy broking operation had the greatest market share (nearly 16 per cent), closely followed by Pekao SA (15 per cent). Along with Bank IG, Citibank and the BRE, this lead group accounted for 54 per cent of turnover during the nine months.

The market is also replete with potential advice from a galaxy of foreign investment banks which either have offices in Warsaw or visit to bid for major advisory work such as the sale of the KGHM, which is being handled by BZW, UBS and the Wielkopolski Bank Kredytowy (WBK).

The next advisory contract to be decided is the disposal of Powszechny Bank Kredytowy in Warsaw.

Figures on earnings or turnover are scant, but last year HSBC in Warsaw reported raising 895.4m zlotys for clients in Poland and was followed by Schroder Polska, which raised 625m zlotys. The two banks topped a league table prepared by the local Warsaw Business Journal.

The foreign banks are being chased by teams of young, home-grown investment bankers such as Bank Handlowy's COK, which is headed by Slawomir Horbaczewski, an energetic 31-year-old. This produces its own research, handles initial public offers and new share issues. It is also competing in the municipal bond market as well in the growing commercial paper market.

Here, however, Raiffeisen Centrobank, from Austria, has established a strong position in a market pioneered by ING, the Dutch bank.

Raiffeisen recently reported that it had arranged 71 short-term paper issues worth 170m zlotys for 16 clients in the past six months alone.

■ **Retailing** • by Christopher Bobinski and Anthony Robinson

Shopping becomes a national pastime

But pioneers of capitalism are in danger of falling prey to foreign competition

Under the communist regime, Poland became legendary for the length of its food queues and for the authorities' inability to satisfy the demand for, among many things, cheap meat.

Now Warsaw and other Polish towns and cities are full of supermarkets and smart private stores, and Russian shoppers fly in on chartered aircraft from faraway Siberian oil towns to shop in the capital's glitzy stores and throbbing street markets.

Shopping has become a national pastime, and the consumer society is creating new jobs and new wealth.

The rapid emergence of a private wholesale and retail system is a key element in Poland's economic strength. The balance of payments benefits by $6bn to $7bn a year from the cash purchases of cheaper Polish foodstuffs and petrol by Germans and Czechs coming over the western borders, and by Lithuanians, Belarussians, Ukrainians and others who visit from the east. These "business tourists" from the east buy goods unavailable at home for their own use or to take back and retail through their own smaller and more primitive stores.

Meanwhile, foreign-owned hypermarkets are taking consumers by storm in an increasing number of Polish cities. Development plans worth over $1bn are under negotiation with local authorities as foreign retail groups race for market share in a country where a mere six years ago trade was dominated by a handful of cumbersome state-owned organisations who often administered little more than empty shelves.

The privatisation process in Poland began with the sale or restitution of small shops after the 1990 market reforms abolished the old state trading and marketing monopolies. Polish town centres and housing estates were soon littered with small shops. Many traders operated just one shop or worked from a camp bed on a street site. But the new opportunity to buy, sell and trade gave employment to hundreds of thousands of former workers from failing state sector enterprises faced with unemployment. Within 12 months, some 90 per cent of retail trade had passed into private hands.

Ironically, many of these pioneers of capitalism are now in danger of falling prey to competition from British, Dutch, French and German-owned superstores. The brash new stores, often located in the middle of drab high-rise housing estates or close to highway intersections on city outskirts, are giving right wing, nationalist politicians a potent issue with which to trawl for support. Leaders of the right wing ROP party, such as Jan Olszewski, were supporters of free markets when they were in opposition to the communist regime. Now they sound more like contemporary French ultra-nationalists such as Jean-Marie Le Pen.

While government officials estimate that the private retail lobby can deliver up to 5m votes, the majority of Poland's 28m electorally-franchised consumers appear to be voting with their feet. The huge queue which recently awaited the opening of the German Dohle group's newest HIT supermarket in Warsaw hardly squared with Polish small retailers' appeals for limits on the spread of supermarkets.

For some in the queue, like Hanna Malesa, a well-heeled flower arranger, and her daughter, an aspiring young lawyer, shopping at HIT is bliss. It reminds her that Poland is now like those western countries whose shops were a feature of fleeting tourist trips in the past. For poorer shoppers expectantly clutching their trolleys, however, the level of prices will decide if they make a return visit.

Karl Heinz Abt, a senior Dohle manager, says that most of his customers have "minds like computers" when it comes to prices. The latest HIT supermarket, with its 10,000 sq metres of retail space, is located in Praga, a rough, working class district where payment of protection money to local gangs is the norm. It marks Dohle's first foray into the lower end of the market.

Dohle already has two shops in Warsaw and a third in Wroclaw. Another will be opened later this year in Gorzow Wielkopolski in western Poland, followed by Krakow in early 1997. "After that we plan to open three to five shops a year for four years," Mr Abt says.

Dohle has already bought 15 sites and has planning permission to build on them in a $250m investment programme. The company is watching the politicians closely. If right wingers like Jan Olszewski and the Solidarity group win the next elections, then development plans might have to be trimmed, Mr Abt says.

Hypermarkets provide welcome variety Picture: Gregory Wrona

CASE STUDY **Investment in retailing**

Foreign chains attracted

Dohle's foray into the Polish retail market will soon be followed by the *fellow-German Metro group, which has* already spent around DM100m on sites alone. Its projects include a 40,000 sq metre *shopping centre in Poznan*, in western Poland, and in Bytom, in the industrial district of *Silesia*.

The *leading French groups* are not far behind. Auchan, which recently took over the Docks de France retailer at home, opened *its first mega store* in southern Warsaw in May. It plans to open another in Gdansk next spring, and *then 10 more in Poland's major* cities within five years.

Leclerc, another French retailing *group, already has two large stores in* Warsaw and plans to spend $250m on building new ones by the end of the century. *Makro, owned by SHV* Holdings of the Netherlands, is already well established: it has seven stores in *place and plans to open four more by* the end of this year.

Other players include France's *Casino and Castorama, the German* do-it-yourself chain Stinnes, and Tesco from the UK, which plans to develop a *southern retail chain* it has bought.

Robert Fourst, the head of property company Gerald Eve's Warsaw office, *says that domestic retailers are still at* the stage where little marketing has to be done. "The big shops have a novelty *value for consumers," he says, noting* that the strategy is to build shed-like buildings as quickly as possible and *pile the goods high*.

"The time for sophisticated sales techniques will come when the foreign retailers start competing with each other," he says.

Christopher Bobinski

CASE STUDY **Small shopkeepers**

The struggle for survival

For two years Krystyna Rutka has run a corner store previously owned by the state organisation that had employed her for 30 years. Her shop is within walking distance of the new HIT megastore, so she is preparing for a drop in sales.

"I can survive a 30 per cent cut in turnover," she says. But to do so she has decided, reluctantly, to sell alcohol to try to balance the books.

Like many small traders, she believes the widespread myth that foreign stores are only *able to lower their* prices because they have a three-year tax break. She is planning to vote for Jan Olszewski, leader of the right-wing Movement for the Rebuilding of *Poland and a* former prime minister, at the next election.

Stanislaw Lipski, who is responsible for retail trade policy at the trade and industry *ministry, has heard* Ms Rutka's arguments many times at countless meetings, *with groups of angry traders* demanding that the superstores be banned from their cities.

The ministry is responding by working on a programme *to support locally-owned* shops. But Mr Lipski is loath to talk about limiting the expansion *of the foreign* retailers. So far, draft policy documents in the ministry speak of bringing in *limits* on their expansion which would use no other instruments *"than those in force* within the European Union".

Despite the rising threat from superstores, *however*, last year saw the establishment of just over 10,000 new, mainly *small, shops*, bringing the overall number at the end of 1995 to 425,600. *The superstores' total* turnover last year amounted to less than 1 per cent of the *retail sector's overall sales of* 170bn zlotys. The figures also suggest that consolidation *in the sector is proceeding* slowly as 92 per cent of all of Poland's shops are 50 sq metres or *smaller*.

Against this background Mr Lipski is telling the shopkeepers not to protest about the growth of the new shops but to learn from them. "Learn about trade, learn from the foreign shops, invest and develop", he says. The great weakness of the domestically owned retail sector is that its owners think much too much in terms of short-term profits.

Mr Lipski also expects that the large retailers could themselves begin to push for limits to the expansion of rivals once they are well established. Despite grass roots protests, not one of Poland's 49 provincial heads has said that he wants limits placed on the expansion of the stores, he notes.

Christopher Bobinski

■ **Consumer goods** • by Roderick Oram

Brand experience

Multinationals are pouring cash into promotions to woo consumers

Pepsi-Cola knew last autumn it had just the right promotional ploy up its sleeve when soft drinks sales stalled in Poland: it imported Numeromania, a numbers game, from its Latin-American operations.

Consumers, hard up after utility price increases, rushed back out to buy soft drinks when Pepsi offered millions of zlotys in prizes. A young girl who won 100,000 zlotys *said* in a TV advertisement that all she wanted to buy was a puppy.

Pepsi's Polish experience is but one example of the rollercoaster adventures of western companies trying to meet the burgeoning demands of eastern European consumers. They are pouncing on cigarettes, cars, soap, beer, food, soft drinks, cigarettes and many other consumer goods.

But will it last? Portents from Polish Numeromania suggest it might not for makers of internationally-branded consumer goods. Poles playing Pepsi's game, facing hard decisions about their disposable incomes, had to be enticed into the market with big prizes. Such promotions are a competitive weapon between suppliers which can escalate expensively. Moreover, the young girl might only want a puppy now, but soon she will be a much more discerning consumer.

East European consumers will take only a few years to achieve the same level of sophistication as western consumers, some analysts believe. They are brand conscious, have limited spending power and are increasingly *spoilt for choice*. Their western counterparts are brand cynical, have reduced *spending power and exercise* deliberate choice, argues Canadean, the UK-based *international soft drinks* consultant.

"There has to be enormous *time compression*," says Simon Lester, chief executive of Cott Europe. His *Canadian parent company*, Cott, is a pioneer in supplying high-quality, price competitive *own-label soft drinks* and foods to retailers.

The strategy has helped *supermarkets* in North America and western Europe compete against global brands such as Coca-Cola and Pepsi-Cola. Now chains such as Ahold, from the Netherlands, and Tesco, from the UK, are moving rapidly into eastern Europe, bringing their own-label skills with them.

Capitalising on explosive growth rates is critical to Coca-Cola and other consumer goods companies. Not only must they build businesses and reap the first profits; they must also embed their brands in consumers' buying patterns in the few years left before consumers become more sophisticated.

For some international manufacturers, a key part of their strategy is to introduce high-quality local brands or to enhance existing ones. One of the most notable Polish examples is the Jan Sobieski brand of cigarette created by BAT Industries of the UK. Poland, with sales of 90bn cigarettes a year, is one of Europe's largest markets and still heavily dominated by local, rather than international, brands.

BAT concluded that Polish smokers wanted good-quality cigarettes, but many of them could not or would not pay the premium for international brands. Its solution was to launch, in March 1994, Jan Sobieski at a discount of some 30 per cent to international brands such as Lucky Strike and Marlboro.

The new brand already accounts for 8 per cent of the total market and 30 per cent of the domestic king size sector, and the cigarette range has been *extended from* full flavour to low tar and very low tar variants.

Key to the success was to "offer international quality at Polish prices," said Jacek *Siwek, who was BAT's sales* director in Poland until recently moving to the *company's German subsidiary.*

The choice of an heroic Po ish king for the brand nam *plus high-quality packagin* reinforced the message.

BAT is also building u sales of its internationa brands such as Lucky Strik Kool and HB and is exten ing its Polish investmen Last December it boug into Augustow, the stat owned manufacturer it ha worked with for the previou five years. It will pay $88 in two stages for 65 per cen and it has committed itse to investing $70m.

A similar strategy is bein pursued in Poland by Sout African Breweries. With i partner, Euro Agro Centru a *local food processing* co pany, SAB will pay $75m f a 52 per cent stake in th Tychy brewery, with th state retaining 33 per ce and 15 per cent going employees.

Tychy gives the partners strong position in the indu trial district of Silesia whic has a tradition of high be consumption. SAB and EA have said they will inves $115m in Tychy over th next five years, of whic $26m will be spent in th next 12 months.

The deal also makes the the largest brewer in Polan with a 20 per cent mark share through Tychy an the Lech brewery in Pozna which they already own.

SAB argues it has a advantage over other inte national brewers because its experience in its hom country. Over the past 2 years, it has encourage South African drinkers move to high-quality bee from home brews whi reducing beer prices in rea terms by 50 per cent.

But for Coca-Cola, Peps and any western consume goods company rushing t establish themselves in eas ern Europe, there is one st tistic above all that speak of the speed at which co *sumers become sophisticate* and more immune to the international brand bla *dishments*: Coca-Cola co sumption per capita higher in Hungary than *southern California*. It ca not be long before easte consumers aspire to be *hip as Californians*.

Telecommunications • by Christopher Bobinski

State operator mobilises for phones battle

The stakes are high as ventures eye TP SA ahead of planned privatisation

The twin challenges of privatisation and the dismantling of a monopoly face Poland's telecommunications system, which has seen the once woefully underdeveloped landline network double in size since 1989.

Telekomunikacja Polska SA (TP SA), the state-owned operator, is still the dominant company in the market, and with revenues last year of 5.2bn zlotys and net profits of 541m zlotys, it is one of Poland's largest companies.

But competition is beginning to make its mark with the arrival of two GSM (global digital system) mobile telephone companies. They are projecting a list of 1.5m subscribers between them in three years and predict a fierce struggle between themselves and TP SA.

The fight is also raising *fundamental questions about* the future of TP SA's dominant position in telecommunications, to the evident discomfort of the government.

The past six years have seen TP SA using World Bank and domestic loans, its own retained profits as well as suppliers' credits to expand the number of telephone lines from 3m in 1989 to 6.1m this year. A further 1m lines are to be installed next year, and the company expects to see 10m lines in place by 2000.

Centertel, a joint-venture involving TP SA, Ameritech, of the US, and France Telecom, was set up to provide a mobile NMT (analogue) telephone service, and has become an important company specialising in business users. The company has been operational since 1993 and has 120,000 subscribers *in what has until now been a* very lucrative venture. The GSM operators, however, present a big challenge to Centertel's position at a time when the company is burdened with a dispute between TP SA and its foreign shareholders over control of investment policy.

Ameritech has signalled it is ready to sell out of the venture. France Telecom, which has been involved in litigation over what it claims was a Polish government promise to grant Centertel a *GSM licence has suggested it* might drop the action if Centertel were given the go-ahead to bid for the new DCS 1800 (a cheaper digital system) mobile telephone operating licence. The French company is also said to be interested in taking a stake in TP SA when it comes up for privatisation.

The government has also been issuing local landline operating licences. The main participant here is Netia Telekom, which brings together Telia AB, the Swedish state-owned operator, and RP Telekom, a local company in which Israeli and US investors hold significant stakes. Netia Telekom plans to install 350,000 lines in the next three years.

These will provide local services as TP SA has a government-supported monopoly on regional and international connections. *It is this* monopoly which has emerged as the main source of contention between TP SA and the two GSM operators who have yet to agree the level of inter-connect charges on calls between their subscribers and landline telephones.

The battle has already seen *GSM Plus* – which is jointly owned by Tele Danmark and Air Touch of California, as well as the powerful Plock refinery and KGHM, the copper producer coming up for privatisation, suffer a brief cut in international connections as TP SA forced it to accept an interim "bill and keep" agreement. This means that both sides keep revenues from calls made by their subscribers and agree to share the proceeds once a deal has been struck on how to divide the *interconnect costs*.

A bill and keep deal was earlier accepted by GSM Plus' rival, GSM Era, where Elektrim, a listed Polish engineering conglomerate, is the lead investor backed by *Deutsche Telekom and US* West. But as TP SA drops its charges on calls to the mobile networks below the *GSM* prices, the two operators face the problem that incoming calls from TP SA subscribers will dominate and they will suffer losses.

The stakes are high. The government is currently preparing pre-privatisation studies for TP SA, and a disposal of stakes in the company is expected for 1998. Until then, the government will, inevitably, want the company to *maintain* its market position and maximise revenues. On the other hand the mobile operators *have investment* programmes of around \$1bn each and powerful investors not only from abroad but also at home.

Elektrim, Era's main investor, is a leading listed *company with a reputation* for getting its way with politicians when its vital interests are at stake. The state-owned Plock refinery's revenues last year were even higher than TP SA's, while KGHM, GSM Plus' other major investor, is also one of Poland's largest companies.

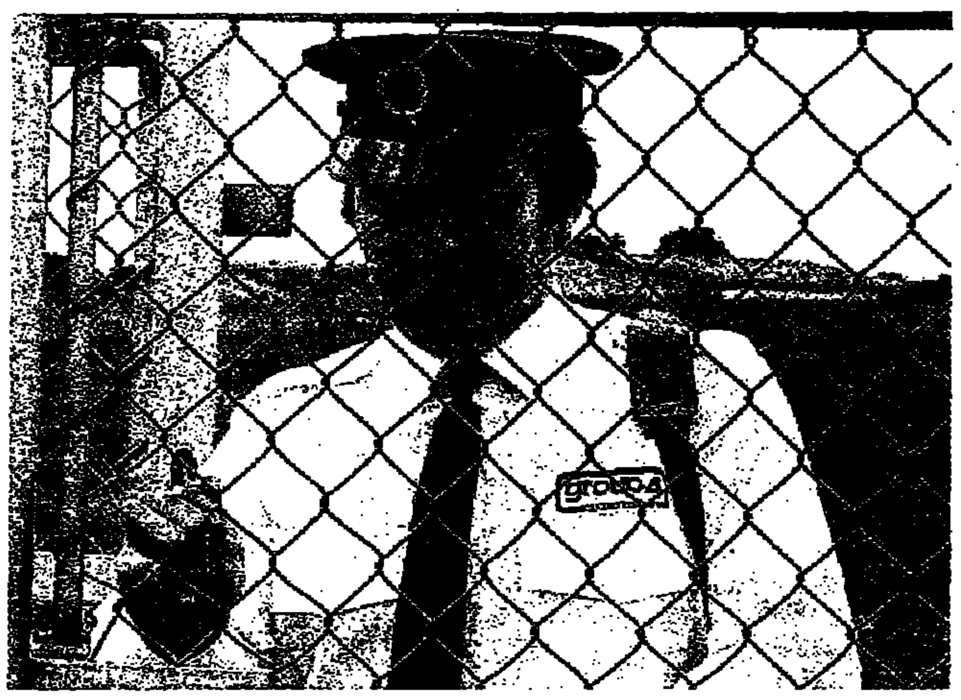
The operators are in effect seeking to overturn the government ruling that their regional calls have to be routed through TP SA's landlines; they are winning support from the Anti-Monopoly *Commission as well as the* country's ombudsman, who is pursuing the case in the courts.

GSM Plus has been tougher in its dealings with TP SA because it numbers *Polskie Sieci Energetyczne* (PSE), Poland's power grid operator, among its shareholders. PSE has a national network which could relatively quickly be equipped with fibre optic cables which could carry not only telephone calls but cable TV as well. It is the ombudsman's case that the maintenance of TP SA's monopoly on regional connections marks an abuse of *consumers'* rights.

GSM Plus would get a crucial edge over its rival if the *government were* to accept this argument and agree to rescind the monopoly. It would also deal a powerful *blow against* TP SA and revolutionise the telecommunications landscape giving PSE, already a major revenue earner, a central position in one of Poland's fastest developing sectors.

Private security • by Christopher Bobinski

Affluent and vulnerable



Group 4 is one of several foreign security companies moving into Poland

Companies and individuals are turning to private guarding agencies

Security is one of Poland's most rapidly-growing service industries. The demand for private protection of people and property has soared as people become more affluent and criminals become smarter . . . while the state-run police force remains understaffed, underpaid and under-equipped.

Increasingly banks and businesses are turning to private agencies to guard offices and retail premises as well as for escorts for cash and goods. And while personal bodyguards have become a permanent feature in the lives of the newly rich, the bulk of the market – estimated to be worth \$400m a year – comes from companies which keep the industry's 100,000 or so security personnel busy.

There are currently some 3,500 companies involved in a sector that has blossomed since 1989. However, the industry is on the verge of a shake-out as foreign companies such as Group 4, which has a local joint-venture with the PKO BP savings bank, and Securitas AB, from Sweden, move in.

Entry for foreign companies has not been easy. It was only last year that the courts overruled a bar by the interior ministry and upheld the right of foreign-owned companies to work in areas where state or corporate secrets are involved.

These foreign companies are now beginning to provide stiff competition for the mass of small private agencies.

Political issues are not merely confined to whether foreign companies should be entrusted with the care of local secrets as many of the domestic companies are staffed or owned by former communist security agents purged when the Solidarity governments took power. The fact that so many of those who defended the former regime are now involved in the private sector gives rise to periodic alarms from Solidarity-rooted politicians that the agencies provide a potential threat to the new democratic order.

With the number of state police fixed at 100,000, the private sector could soon outstrip the official force, while reports that private security employees have taken part in gang feuds or forced recalcitrant debtors to fulfil their obligations by unlawful means give the sector a dubious reputation.

But Jan Rybczynski, the interior ministry official in charge of overseeing the security companies, plays down the threat they could present to public order. The rapid growth of the sector has given gainful employment to security agents sacked by the new regime and helped smooth the political transition. "Here they are earning a living by looking after private property, where before they were defending a socialist system," he says. If the agencies had not grown up, these security men might have turned their hand to subversion, the argument goes.

Mr Rybczynski also says that draft legislation now in the pipeline will require each agency employee to carry a licence granted by the police. This is welcomed by Dorota Godlewska, the head of the industry's trade association, on the grounds that it will make it easier to maintain professional and ethical standards.

Banks appear to be the main clients of the agencies, and as offices increase the amount of electronic equipment on their premises, so office blocks need more guards. Ms Godlewska, who co-owns a 100-strong company called Dosa which reported sales 1.2m zlotys last year, adds that enquiries are beginning to come in from high-rise housing blocks where residents would like 24-hour guarding.

Most agencies are also licensed to do detective work, but Ms Godlewska dismisses the suggestion that this comes down to little more than sporadic divorce investigations; rather, the security sector is moving into protecting intellectual property and pursuing cases where brand ownership is infringed.

Jerzy Bochenek, who is in charge of marketing and sales at Group 4, says that protecting industrial premises is potentially a major growth area. Here the obstacle is the industrial guard force, originally established in the 1960s as a para police unit under police supervision. "It's a bit of a problem as the original law set them up but made no provision for disbanding them," Mr Bochenek notes. This means that even when management in state sector enterprises want to replace their man on the factory gate with a cheaper security company, there is no clear procedure for doing so.

Software and IT • by Christopher Bobinski

Sharing is daring

Mistrust and secrecy can be barriers to foreign companies such as EDS

Piotr Kozlowski, who runs the Polish subsidiary of Electronic Data Services (EDS), a US-based software company founded by Mr Ross Perot and de-coupled from major shareholder General Motors last year, draws an almost vertical line soaring upwards as he describes the potential this emerging market holds for his company.

But it has been an uphill task to break down the doubts and mistrust of local clients, which include state sector companies, when they realise that they have to share intimate information about their operations with an outside company, especially a foreign-owned one.

EDS, with a worldwide turnover of \$12.4bn, is best known for its ability to take over and run whole departments as corporate clients decide to outsource their information systems. The company is used to encountering suspicion when it approaches new clients. But former communist-ruled countries such as Poland, with their ingrained security culture and a tradition of tight party and security police control over communications, provide a special challenge.

The company moved into Poland in 1993 to provide software systems for the Warsaw Stock Exchange. PepsiCo Foods International and its Wedel chocolate-making subsidiary, was another client. GM, which was also developing a sales and assembly operation in Warsaw, remains another key account.

But the Polish-born Mr Kozlowski, an enthusiastic 34-year-old who joined EDS in the UK in 1985, also has his sights set firmly on gaining Poland's 20 largest companies, many of them still state-owned, as future clients.

This is not only because the size of these companies matches the scale of the tasks EDS has taken on elsewhere, but also because many are involved in the transport, banking, telecommunications and energy sectors which EDS has targeted as its growth areas in Poland.

In the banking sector, EDS manages Citibank's regional data centre in Warsaw, where the pioneering US bank processes information not only from the bank's Polish operations but also Hungary and the Czech Republic.

But it is EDS's dealings with two major local clients, Telekomunikacja Polska SA (TP SA), the state-owned telecoms operator, and Polskie Sieci Energetyczne (PSE), Poland's power grid manager, which highlight both the challenges and opportunities the company faces in Poland.

EDS signed an agreement with TP SA two years ago to provide a billing system. But little progress has been made largely because the traditionally secretive and cumbersome TP SA has yet to determine whether the company will retain its current regional structure or centralise its operations.

By contrast, management at PSE, which is at the forefront of the attempt to privatise and introduce market mechanisms into the energy sector, is moving smartly ahead with its contract for EDS to provide information technology which it needs to help establish a wholesale market in energy and also to manage the grid's fixed assets and provide energy statistics.

The computer and IT market in Poland, for both hardware and software, is currently estimated to be worth \$1.2bn and is set to grow to \$2bn within three years. EDS's main competitors are other foreign companies such as Hewlett Packard and IBM, as well as smaller domestically-owned companies such as the listed Optimus computer producer which has teamed up with Arthur Andersen Consulting. But, for the foreseeable future, foreign companies like EDS will dominate the Polish market for information technology.

No local competitors have anything like the scale of EDS's experience, or can match the range of services which the company is able to provide Polish companies as they modernise and expand. But by introducing state-of-the-art technology and employing fast-learning young Poles to expand the company's operations, EDS is part of the service revolution which is helping to modernise Polish business and bring it up to world standards.

■ **Insurance** • by Christopher Bobinski

Pensions become a reform issue

Switch to private system becomes essential as number of retirees grows

Having won the fight for a free market system, the post-war "baby boomers" who currently run Poland have begun to focus on arrangements for their own retirement. These include a pension reform which the government says it wants to see enacted during the lifetime of the present parliament, which runs its course next autumn.

If this happens, Poland will switch to a private pension fund system. Its supporters, such as Marek Mazur, a top adviser at the finance ministry, say it would not only accelerate economic growth by putting savings for pensions to work as investment capital, but would also attract additional foreign investment.

The planned changes come as the existing domestic insurance industry is plagued by problems as the leading insurers such as state-owned Powszechny Zaklad Ubezpieczen (PZU) and the listed Warta streamline their operations. At the same time, the smaller local private insurers are struggling to avoid failure while foreign-owned companies such as Commercial Union (CU), of the UK, and Amplico, from the US, forge ahead in the life insurance sector.

Commercial Union, in Poland since 1991, currently has a 10 per cent share of the total life insurance premiums, which amounted to 1.3bn zlotys for the industry in the first six months of this year.

This is still small compared to PZU Life's 56 per cent share in the same period. However, CU, which sold 138,500 policies last year, is expecting to double this figure this year. The company is also planning to move into non-life insurance, which is currently dominated by PZU and Warta, who in the first half of this year together took 83 per cent of the total premiums of 3.1bn zlotys.

The drafts for the state pension reform are being prepared by Andrzej Baczkowski, the labour minister. He is backed by a team of experts, many of whom have worked on the subject in previous administrations.

The task is difficult and politically controversial. Indeed, politicians in the ruling coalition made up of the former communist Left Democratic Alliance (SLD) and the Polish Peasant Party (PSL) appear to have decided pension reform is so sensitive that it is best left to a team of outsiders who can be disavowed if necessary – especially as the parliamentary elections approach.

But for the moment there is a consensus inside the

> Employers' contributions, already high, threaten to reach a crippling level

government, supported by President Aleksander Kwasniewski, that the reform is necessary. This is especially true as by the year 2010 the number of people in retirement compared with those in work will have made the present pay-as-you-earn system beyond support. Already, the national insurance contribution – amounting to 45 per cent of gross wages – which employers make to the system is becoming a crippling burden. It threatens to rise to over 55 per cent in 2010 if nothing is done.

The plans first envisage a lowering of the cost of present pensions by not only cutting the numbers entitled to disability support but also by removing the present link between pensions growth and wage rises. This is to be replaced with an inflation-linked system, a move being fiercely resisted by the existing 8m pensioners who will undoubtedly make their voices heard in next autumn's elections.

Nevertheless, the move is a crucial one as it will lower the cost of pensions which initially many will continue to receive. This is because the private investment fund scheme will only be compulsory for school-leavers entering the job market and voluntary for those now at work up to the age of 50. It is envisaged that existing pensioners and the over 50s will stay in the old system. Another feature of the scheme is that a low minimum pension for all will be retained, although this will be linked to the level of contributions made by employers during people's working lives.

Mr Baczkowski's plans also allow for private pension schemes, and it has yet to be decided whether tax breaks will be offered either to ease the cost of premiums or on the pensions when they are paid.

One of the many potentially contentious decisions still to be taken is who will be permitted to manage the pension funds which will be established under the reform. Poland's present rickety domestic insurance industry will be pushing to be given control of some. Foreign-owned insurers already in Poland are concerned that populist arguments about foreign influence will be used to minimalise their involvement.

Another big problem is that the government's budget deficit will grow by between 2 per cent and 3 per cent of GDP each year as people move into the new pension funds and employers begin to pay part of their contributions to them rather than into the state-run Zaklad Ubezpieczen Spolecznych (ZUS), which pays out benefits. This gap is a significant one for Poland's budget, which currently is running a deficit of 2.6 per cent of GDP and is a point of pride for Grzegorz Kolodko, the finance minister as it shows that here at least Poland meets the criteria for EMU membership.

This leads to other unresolved questions about how to best use state-owned stakes in companies. The debate revolves around whether to sell assets and use the proceeds to plug the budgetary gap and capitalise the funds, or give the funds the unsold assets to manage.

■ **Property** • by Christopher Bobinski

Suburban attractions

The cutting of red tape has helped to make conditions easier for developers

An influx of foreign companies has has helped to kick-start the development of new office accommodation in Warsaw, although the city's central district has yet to see a strong construction boom which, it is hoped, should lead to an easing of high office costs.

The high rents – some close to those demanded in London and Paris – along with chronic traffic jams and far too little parking space, are persuading many potential clients to take up suburban locations where rents can be at least one-third lower than in the city centre.

Thus, so far, the Warsaw skyline is remarkably free of towering cranes, and the city's tallest building remains the Palace of Culture, a sprawling socialist era relic donated in the 1950s by Stalin. Indeed the view from the Palace roof shows that most building activity is occurring in Warsaw's western Wola district, where the local authorities appear to have been more amenable to development projects than elsewhere.

Nevertheless, property consultants such as Healey and Baker confirm that conditions for developers have become easier, with fewer bureaucratic restrictions on access to land. Financiers are less concerned with Polish risk than they were in the first years of the market reforms after 1989.

The demand is certainly there. Jones Lang Wootton (JLW), the UK property consultant, estimates that total office stock in Warsaw amounts to 2.6m sq metres, of which 8 per cent has been built since 1989. Last year saw the addition of 31,000 sq metres.

JLW says that most of the foreign companies already in Warsaw expect to expand in the next three years, and around two-thirds need space either now or in the very near future. The European Bank for Reconstruction and Development (EBRD) estimates that demand for modern office space in the city centre is currently running at around 60,000 sq metres.

The Ilmet building, a $80m project, is now close to completion, making around 20,000 sq metres available early next year. This is jointly owned by Ilbau, the Austrian building company, and Impexmetal, a local state-owned, metals and steel foreign trader. Ilbau is also currently starting work on another large building, the Reform Plaza, which will put some 40,000 sq metres on to the market in 1998. This is a maiden foray into the Polish capital by the Epit group from Turkey.

Smaller buildings are set to come on stream in the meantime. Skanska, the Swedish building group, is expanding its Atrium development to put a further 11,000 sq m on to the market next year, and the EBRD has helped finance the $40m Sienna complex which is being developed by Belgian companies Buelens and Compagnie Immobiliere de Belgique (CIB), making around 20,000 sq metres available next year.

By way of contrast, the 20,000 sq m Cascade building, which is expected to cost $25m, is being financed solely from local sources. It will provide office space for two of these, Poland's Environment Protection Bank (BOS) and and the Polisa insurance company, as well as space for general rental. The project's third partner is Polservice, which once specialised in placing Polish specialists in jobs abroad.

Meanwhile, both Citibank in Poland and ING, the Dutch bank, are building office accommodation for themselves on prime sites in investments totalling around $90m. The two banks calculate that savings on rent and the tax and regulatory advantages of keeping their capital in real estate will refund the costs.

Other companies, such as IBM, which have large workforces in the city, have preferred to take space in suburban locations such as the Wisniowy Business Park where rents can run to half the cost in the city centre.

The city's traffic problems will not ease until charges are introduced for street parking. The arithmetic has yet to be done on projections for the six underground car parks the city authorities say they want to see built in the city. Meanwhile, a lack of funding for the two bridges needed to cross the Vistula river, which divides the city, means that Warsaw risks being separated into two as traffic jams the existing bridges at peak times.

Earlier this year, there was a failed attempt to persuade the city council to agree to a bond issue to finance the $70m needed to build the Siekierki Bridge in the south of the city. The councillors turned down a suggestion that the city should levy tolls to service the loan. Instead, the city and the central government are spending around $50m this year to maintain and extend a new 12-km underground railway line which links the Ursynow high-rise housing estate in the south with the city centre.

The metro, which had taken 12 years to build, was opened 18 months ago and has since been used by an estimated 38m passengers yielding a revenue of around $14m. Its critics argue that funds could be better spent on improving the surface traffic system and public bus and tram networks.

Warsaw's new atrium complex takes shape in a city remarkably free of skyscrapers Picture: Gregory Wrona

■ **Healthcare**

A suitable case for surgery

Poland's underfunded health service is in a critical state, writes Christopher Bobinski.

As doctors and nurses threaten strikes to back a campaign for higher wages, the government is at a loss as to how to make the service efficiently address the country's health problems.

Some pointers might come from a group of US investors who have established ABC Medicover in Poland. This provides private health care on the "managed care" system under which those involved pay while they're healthy and are then looked after when they fall ill.

The scheme, which is administered from a clinic once reserved for medal-winning athletes in Warsaw, looks after 5,000 individuals, many of them employees of the 230 mostly foreign companies which have signed up.

This autumn, Community Health Plan, based in in New York State and which manages the north-east of the US for Kaiser Permanente, the US healthcare company, came in as a partner.

But while ABC Medicover now mainly caters for executives at foreign companies, Edward Radkiewicz, the managing director, wants to take the plan to local companies with bigger workforces.

His company is already handling health checks on personnel for some of the western-owned fast-food chains in Poland.

The next natural step is to look after workers at Poland's foreign-owned industrial producers.

The initial investment in the operation, which started last year was $6m, and the company intends to spend up to $15m on expanding into six or seven leading Polish cities by the end of next year.

Healthcare in Poland is free, and and average 490 zlotys is spent on each patient annually. More than two-thirds of that figure is provided by the state, but the rest comes from the patients themselves, paying for items such as medicines.

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6 POLISH SERVICE INDUSTRIES

■ **Advertising** • by Anthony Robinson

Agencies are making their mark

Poland changed from a country of shortage to one of abundance almost overnight

One of the most potent and instantly recognisable examples of political advertising – the red and white Polish streamer flag and marching crowds of Solidarity – was created by amateurs while Poland was still a communist-ruled country and the only advertising agency was Agpol, a dreary state-owned monopoly.

Since then, the native talent for snappy slogans and visual images has been shifted into more commercial channels as more than 100 Polish advertising agencies have sprung up in competition with a dozen or so of the big multinational ones who followed their international clients to the biggest single market in the region.

Between 1992 and 1995, advertising expenditure in Poland practically doubled every year, spearheaded by the big multinational consumer goods corporations who spent heavily to establish their trade marks and raise brand consciousness. Total advertising expenditure doubled from $123m in 1992 to $248m in 1993 and rose to $561m in 1995. This is equivalent to around 0.43 per cent of GDP, compared with over 1 per cent in most fully-mature capitalist economies, so there is considerable scope for further growth as incomes rise and consumers become more sophisticated and choosy.

"We had to absorb the 90-year history of advertising in six years," says Nina Kowalewska, who runs Young and Rubicam's Warsaw operation. "But Poland now has around 20 big agencies, employing around 60 people, and another 30 smaller agencies. The agencies now employ around 2,500 people directly, plus a small army of outside contributors in graphics studios, printers, poster stickers, TV production people and the like."

"None of these jobs or professions existed before 1989," she adds. "Virtually overnight, Poland changed from being a shortage economy to an economy of abundance. This has been traumatic for many people facing consumer choices for the first time."

Mike Kirkham, one of a handful of expatriate managers at the agency, says, that one of the problems facing the industry is the low telephone density. While most households have a television and 19 per cent are tuned in to cable TV, checking the effectiveness of television advertising is difficult in a country where only 38 per cent of households have a telephone. "You cannot get a representative sample with this low a density, compared to 93 per cent telephone saturation in the UK. The answer is actually to give people telephones where coverage is low," he adds.

But such technical problems are minor compared to the attitudinal problems faced at the outset of the transition to a consumer-orientated economy. "Agpol used to advertise things that nobody wanted, and the general attitude towards advertising was that if something needed advertising it was probably no good, or was just another form of government propaganda," says Carol Schuster, a young American who set up and runs DMB & B, the Polish arm of the US-based advertising company. On October 21 it was announced she was being promoted to managing director of the company's New York operations.

The company's headquarters, in a Warsaw suburban villa, is crammed with awards and plaques testifying to the creative and marketing successes of its mainly Polish staff over the past five years. Last year, the agency saw a 50 per cent rise in revenue to $35m, which put it in the top three in both billings and media buying. Roughly half its income was generated from new business. Its blue chip client base includes Coca-Cola, Master Foods, Philips and Tetra Pak.

DMB and B's TV campaign for Bonaqa, Coca-Cola's new mineral water, was judged good enough for screening to the wider European market, while its award-winning "spotted cow" long-life milk campaign for Tetra Pak was so successful that it had to be temporarily withdrawn because demand outstripped production.

Widespread use of posters, brightly-painted advertisements on trams and at bus stops, and state-of-the-art revolving panel screens on the side of prominent buildings have all brought new light and colour to formerly drab streets. They form an important element in creating the image for Poles and foreign visitors that Poland has become a "modern", western consumer society, although the impression of modernity is sometimes still little more than skin deep.

But Poland has come a long way since Ms Schuster and other advertising professionals arrived in a "white space market" at the start of the decade. As a homogeneous country of 39m people, of whom 98 per cent are Poles, mostly Catholic, and half aged under 40, Poland is a highly attractive market for the purveyors of mass consumption goods.

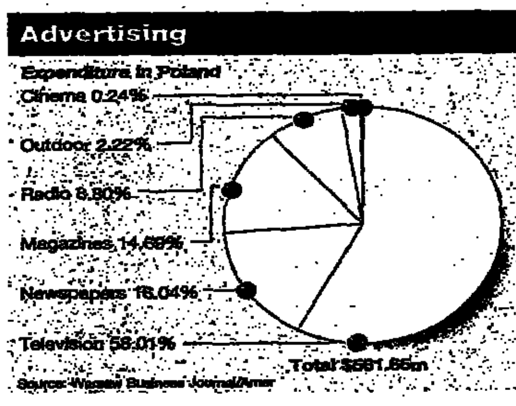
The economy is growing at a rapid 6 to 7 per cent annually, and literacy, skills and educational *standards are* high. Aspirations, especially of the younger generation, are even *higher*. "Up to now, there has been much less market segmentation in Poland *than* most western markets, although the way advertisers target the growing *middle* income, middle class group means that advertising is beginning to *segment* society," Ms Schuster adds.

Just what constitutes the *middle class* in this former communist country is a moot point. For Ms Schuster, *it consists of those* earning around $500 a month. For Tomasz Bankowski, director *of Eurofundusz, a recently*-launched Polish investment fund "the middle class consists of all those who can save 10 per cent of their income – which, we think, already numbers several million people."

Eurofundusz, working with Pekao BP, the main Polish savings bank, and Alliance Capital, of New York, is the third such fund to be launched in Poland. It hopes to have 50,000 to 60,000 clients by the end of 1997 and a worth of 200m zlotys. In a country where rapid growth and an appreciating currency has led to rapid growth in real incomes – and a one-third jump in bank deposits between January and August – such ambitions do not seem excessive.

Advertising

Expenditure in Poland



Source: Warsaw Business Journal/Amer

Top agencies in Poland

Agency	1995 billings ($m)
1. Lintas Warszawa	43.5
2. Leo Burnett	38.0
3. ITI/McCann-Erickson	35.5
4. Bates Saatchi & Saatchi	35.0
5. DMB&B	35.0
6. Mediapolis Warszawa	30.0
7. Grey Warszawa	26.1
8. BBDO	25.3
9. Young & Rubicon Poland	24.0

As agencies multiply, so does the amount of advertising in towns and cities. Picture: Anthony Robinson

■ **Marketing** • by Anthony Robinson

The message gets across

It could have been a financial press conference in any European capital. Four senior executives from Bank of America were facing the domestic and foreign financial press to explain their plans to set up a venture capital bank. But the capital was Warsaw, and NBS Financial Public Relations – the financial PR company retained by the US's third largest bank holding company to arrange its debut on the Polish scene – was Polish, too.

"All the big international PR companies now have a presence here, but they are more expensive and they don't always have good local teams who know Polish conditions," says Anna Krajewska, who founded NBS in Krakow in 1989.

"After the round-table talks led to the first non-communist government I felt that foreign companies would need advice on how to operate in Poland and decided to set up a financial PR company."

She moved to Warsaw a year later, at the very start of the economic stabilisation package and economic transformation. "Our first clients were a French construction company and an American entrepreneur who wanted to buy and refurbish a Polish power station," she recalls.

The crucial moment in the company's development was in August 1990, when it won the first tender from the newly-formed privatisation agency to help with the privatisation of Krosno glassworks.

Krosno was one of five state-owned companies selected to pioneer the privatisation process using the methodology tried and tested in the UK and helped by the British government's Know-How Fund. "We were chosen by Schroders out of a list of six. We were the only one to put in a full written presentation in English", she says.

To do this, Ms Krajewska, a former student activist who studied cultural anthropology at Krakow's Jagiellonian University in the 1970s and took part in the birth of Solidarity in the Gdansk shipyards, went to London and was taken under the wing of Dewe Rogerson, one of the biggest UK public relations companies.

"We read all their presentations for privatisation of the UK electricity industry and British Telecom and basically copied them. It worked," she laughs. "At the beginning, as the first Polish PR company, we had to explain to new Polish companies what PR was. They were a sceptical audience. But companies soon caught on."

The first Polish clients were government ministries. Then, as the stock exchange was founded and the first public offers were announced, business took off.

Since then the company, which has retained close links with Dewe Rogerson, has built up an impressive client list of foreign and Polish banks and companies, including Schroders and new client Bank of America. It also offers advice on government relations and monitoring for 12 European and US companies and the Polish agency for regional development.

■ **Media** • by Christopher Bobinski

Sweet breath of freedom

Television and radio airwaves buzz with action as stations seek supremacy

Poland's print and broadcast media have changed beyond recognition in recent years; gone are the days when the communist authorities owned and controlled almost everything, and censors vetted each printed word and broadcast picture.

In a few years a generation of journalists who had learned to score small victories over the censors and to write for readers who had learned to look between the lines, has faded away. Instead, the media have been invaded by the young, whose enthusiasm more than made up for their lack of experience and who are now maturing into young professionals.

Despite the new-found freedom for the media, political controversies continue to plague state-owned television (TVP), whose two national channels are still watched by around 60 per cent of the viewing audience. TVP, though, is losing viewers to Polsat, a locally-owned national commercial station which now has one-fifth of the total audience and whose revenues are growing apace.

Both stations are soon to be challenged by TVN, a joint-venture between Central European Media Enterprises (CME), a US-funded enterprise specialising in TV broadcasting in the region, and ITI, a local media company which has won a licence to broadcast in Poland's northern region as well as in Warsaw and Lodz, two of the country's largest cities.

Meanwhile, Nasza Telewizja, a group of local businessmen with strong support from the ruling Left Democratic Alliance (SLD) has won a licence for central Poland, including Warsaw, and is now seeking funding from both listed and state-sector Polish companies to put its station on the air.

Canal Plus, the French pay-TV channel which has won 76,000 subscribers and hopes to have 200,000 by the end of next year, caters to a more select audience. Marc Olivier, its local chief, says he is recruiting the new middle class. "We send out our mailing shots to credit card holders," he says, adding that 52 per cent of his audience is aged between 25 and 40 while four-fifths have a car.

TVP is suffering from the competition as the politicians push to have a say on what is broadcast on the state-owned stations at least. The political dogfights over TVP have led to frequent management changes which have paralysed long-term planning as the company's finances deteriorate. "The worst scenario is that TVP's audience could sink to around 30 per cent, as has happened in the Czech Republic," says Karol Jakubowicz, a member of TVP's supervisory board.

Foreign ownership has made the greatest inroads in newspapers and magazines, where a long-term decline in readership has been reversed by the mostly German-owned coloured magazines, some of which sell a 1m copies a week to the country's less discriminating readers.

Again while the censors have disappeared, the media have had to learn to live with advertisers who spent a total of around $540m last year both on newspapers and on radio and TV, according to research from Amer Nielsen.

Television took a 58 per cent slice, while newspapers and magazines' advertising revenues accounted for 31 per cent. Radio brought up the rear with a more modest 9 per cent share, with the remainder going to outdoor and cinema advertising.

The local newspapers are in the main now owned by either the Nene Passauer Presse, from Bavaria, or Orkla, from Norway, while the latter group now also controls Rzeczpospolita, the main quality daily. Gazeta Wyborcza, the national quality newspaper which sold almost 400,000 issues a day last year, the most of any daily, is still controlled by its local owners, albeit with a minority stake held by Cox Enterprises, a US publisher.

The dailies are supplemented in their business reporting by a clutch of weekly magazines which have seen an invasion of Swiss and Swedish publishers intent on garnering a market which market research is telling them will explode over the next few years. So far though they have been shunned by the mass of Poland's new businessmen.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 30 1996

IN BRIEF

Ericsson pre-tax profits up 23.4%

Ericsson, the Swedish telecommunications equipment manufacturer, claimed to be the world's largest supplier of mobile and fixed network systems after 20 consecutive quarters of *improved order bookings. It reported pre-tax* profits of Skr2.148bn ($325.8m), up 23.4 per cent on the same period last year. For the first nine months of the year, pre-tax profits were SKr6.53bn, against SKr5.144bn a year earlier. Page 14; *Lex, Page 12*

Lower chemicals prices hit DSM
Lower prices and higher raw material costs hurt profit margins at DSM, the Dutch chemicals company, which reported third-quarter net profits of Fl 178m ($104.4m), down from Fl 234m in the previous year's third quarter. Page 14

Pizza group joins Madrid Bolsa
*Madrid's Bolsa, after a long period of domina*tion by solid stocks in the banking and utility sectors, is to gain an unusual newcomer – TelePizza. The company opened its first fast-food business in 1986 and now controls 55 per cent of Spain's home-delivery pizza market. Page 15

Bridgestone buys Fedstone of S Africa
Bridgestone, one of the world's leading tyremakers, is to buy Fedstone, South Africa's second-largest manufacturer, for R290m ($62.2m). Page 16

MG sells British Biotech shares
Morgan Grenfell, the UK investment bank owned by Germany's Deutsche Bank, sold 22.1m British Biotech shares from funds formerly managed by Mr Peter Young, its disgraced ex-fund manager. Morgan Grenfell said the sale would "realign" the portfolios in *the two Mor*gan Grenfell Asset Management funds formerly managed by Mr Young. Page 18

Nelson Gold to shut Tajikistan mine
Nelson Gold, the Canadian mining group, said it was closing down its gold venture in war-torn Tajikistan after a series of conflicts with the government, its partner in the project. Page 22

Companies in this issue

Market Statistics

http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			Carrefour	2807	- 30
[illegible]W	887.5	+ 10.5	Guilbert	822	- 20
[illegible]ussa	602	+ 11.5	Lafarge	304.1	- 7.5
[illegible]	376	+ 9.1	Legrand	871	- 17
[illegible]	1251	+ 26	Suez	446	- 15
Carbon	176.75	- 2.25	TOKYO (Yen)		
[illegible]	555.5	- 10	Rises		
NEW YORK ($)			Fujita Kanko	2120	+ 80
[illegible]y Data	44⅝	+ 3¼	Japan Wool	950	+ 12
Oilwell	20⅝	+ 2½	Nippon Paper	654	+ 22
[illegible]ark	23¾	+ 2⅝	Tokyo Rope	539	+ 19
[illegible]n Karan	15⅞	- 2⅝	Tokyo Land	555	+ 18
[illegible]	16⅝	- 2¼	Falls		
[illegible]	15⅞	- 2¼	Calpis Food	742	- 22
LONDON (Pence)			HONG KONG (HK$)		
[illegible]	706½	+ 20	Rises		
[illegible]m Trust	617½	+ 13	Glorious Sun	3.80	+ 0.325
Energy	49½	+ 4	[illegible]	2.65	+ 0.225
[illegible]n Comm	135	- 17½	KPI Co.	1.30	- 0.13
[illegible] Business	585	- 27½	Manhattan	3.80	- 0.20
[illegible]	497½	- 27½	Ril Holdgs	1.65	- 0.11
TORONTO (C$)			YGM Trading	10.00	- 0.40
[illegible]	29.75	+ 1.25	BANGKOK (Baht)		
[illegible]ount Res	21.00	+ 1.50	Rises		
[illegible]l Steel	21.00	+ 1.00	[illegible]	56.00	+ 5.00
[illegible] Comm	7.00	- 0.80	National Petro	29.75	+ 2.25
Corp	45.25	- 2.10	The Cement	29.50	+ 2.00
Capital	26.50	- 1.20	The Manager	95.50	+ 6.50
[illegible]S (FFr)			Falls		
[illegible]			Jasmine	32.50	- 3.50
[illegible]	430	- 13.4	Kang Hoat	55.00	- 7.00

New York & Toronto prices at 12.30

Hollywood agrees video disc deal

By Alice Rawsthorn in London

The consumer electronics industry yesterday ended months of negotiations with Hollywood by striking a copy*right protection agreement* for digital video disc, the advanced compact disc billed as the hottest new electronics product of the 1990s.

The first DVD players, which relay films at higher quality than video cassettes, were originally due to go on sale this summer, giving manufacturers enough time to raise consumer awareness of the new product in time for the busy pre-Christmas sales *season.*

However the launch plans were put on hold because of the electronics industry's failure to agree terms for copyright protection with the Hollywood film studios.

Yesterday, after months of often acrimonious talks, the sides announced they had reached provisional agreement on the framework of a copyright accord.

*Matsushita, the world's larg*est consumer electronics group, said its first DVD players would go on sale in its native Japan next month. The *company plans to start its* European launches in Germany next February, with the first players priced at between DM1,300 and DM1,400 ($878-$945).

Other manufacturers intend to wait until 1997 to bring out their first systems, hoping that the Hollywood studios will by then have brought out DVD versions of their films.

Sony has yet to finalise its launch schedule but expects to *introduce the first players in* Japan next spring.

The copyright agreement, which aims to prevent DVD piracy by licensing special technology to unscramble the information stored on the discs, has come as a much-needed relief for the electronics industry.

Demand for consumer electronic products has been sluggish in recent years. This is partly because of competition from computing products, and partly because the innovations that drove the industry's growth in the 1980s, notably video cassette recorders and *audio-CD players, have* reached maturity.

This summer Philips, the Dutch electronics group, highlighted the pressures on the industry by announcing plans to cut 6,000 jobs over the next 18 months. Earlier this month it issued a profits warning for the year.

Electronics companies hope that digital video discs will alleviate their problems by providing a new source of sales.

However, the delays over the copyright protection accord mean that only a relatively small number of DVD players *will be in the stores in time for* this year's Christmas shopping season.

Electrolux set to pull out of industrial goods

By Tim Burt

Electrolux of Sweden yesterday vowed to accelerate the restructuring of its commercial appliances division and press ahead with the sale of its last remaining industrial products business following disappointing third-quarter figures.

The world's largest household appliance manufacturer saw pre-tax profits fall from SKr665m to SKr520m ($79m) on reduced sales of SKr25.9bn compared with SKr28.2bn in the third quarter of the previous year.

For the nine months to September 30, pre-tax profits fell to SKr2.19bn, against SKr2.73bn, on turnover down from SKr88.8bn to SKr82.9bn.

Analysts had been expecting profits of about SKr2.5bn. The shares closed down SKr6.50 at SKr375.50.

Mr Leif Johansson, chief executive, blamed the decline on unhelpful exchange rates and sluggish demand, particularly in western Europe. "We are in the midst of a real downturn in consumer products," he said. "I don't think it will be possible to improve margins in the next couple of quarters."

Mr Johansson outlined plans *to cut costs by overhauling the* commercial appliances division, where third-quarter profits fell 20 per cent, from SKr45m to SKr36m. As part of that restructuring, he predicted some of the division's sales operations would be merged.

Electrolux said it was committed to pull out of industrial products, where weak volumes and prices at its Gränges aluminium business cut third-quarter profits 46 per cent to SKr109m, from SKr201m.

According to Mr Johansson the company was looking for a trade buyer for Gränges, but had not ruled out a demerger and public offering.

The company also suffered from flat or falling demand for outdoor products such as garden equipment, an area where profits fell 13.2 per cent from SKr273m to SKr237m.

The only bright spot was household appliances, where profits rose 21.8 per cent to SKr531m in the third quarter. But for the nine-month period, profits in the division – Electrolux's largest – were down slightly at SKr1.73bn.

Mr Johansson said the picture was unlikely to change in the near future. Despite signs of consumer confidence returning in the US, he described the fourth-quarter outlook as flat.

In western Europe, he warned that fear of unemployment had depressed consumer spending, although that had been offset by growing demand in the emerging markets.

Leif Johansson: blamed profits fall on unhelpful exchange rates and sluggish demand Brendan Corr

Proton poised to take 80 per cent Lotus stake

By John Griffiths in London and James Kynge in Kuala Lumpur

The purchase of an 80 per cent stake in Lotus Cars by Malaysian car manufacturer Proton will be announced today, according to motor industry sources in Kuala Lumpur.

The deal would give Proton majority control of Lotus Cars, valuing the UK sports car and engineering concern at about $100m. Details are expected to be announced at Lotus's headquarters in Norfolk, England. The remaining stake will continue to be held by Mr Romano Artioli, the Italian entrepreneur whose Luxembourg-based holding company, Bugatti International, bought Lotus from General Motors three years ago for around $50m.

Mr Artioli, a former distributor of Japanese and Ferrari cars in northern Italy, tried to revive the Bugatti marque in the late 1980s, but both the *Italian operating company* and the Luxembourg parent are now in receivership with combined liabilities of more than $100m.

Although Lotus Cars itself was profitable last year, reporting pre-tax profits of £8.5m ($13.26m) on a £65.4m turnover, it has run into substantial cash-flow difficulties this year as uncertainties about its future and ownership have increased.

On two occasions earlier this year Lotus came close to being sold to Daewoo, *the Korean car maker, only for Mr* Artioli to withdraw at the last moment.

The deal with Proton – the company founded by the Malaysian government to produce the country's first "national" car – appears to provide a more secure future for Lotus's 1,100 employees.

Car production is likely to expand, and Proton is expected to make full use of Lotus engineering consultancy facilities.

Proton produces about 120,000 cars a *year but plans to increase this to* nearly 1.5m a year early next century.

Cepa ready for US takeover after YTL withdraws

By James Kynge in Kuala Lumpur and John Ridding in Hong Kong

The Malaysian construction and property company YTL announced *yesterday* that it has withdrawn from a contest with a US company to acquire Consolidated Electric Power Asia, the Hong Kong-based power group.

The Malaysian company's withdrawal appears to clear the way for the sale of Cepa, a subsidiary of Hong Kong's Hopewell Holdings, to the Southern Company of the US. Hopewell, which owns 60 per cent of Cepa, agreed earlier this month to Southern's $2.7bn bid.

Hopewell said a document explaining the Southern offer would be sent to shareholders this week.

Mr Francis Yeoh, managing director of YTL, said his company had proposed HK$19 a share for Cepa, higher than the HK$18.5 offer from Southern. YTL believed its proposals would have benefited both Hopewell and Cepa *but stipulated that, before* a firm bid could be made, Mr Gordon Wu, the founder and executive chairman of Cepa, should give an "irrevocable undertaking" to support it.

"Mr Wu was unable to provide this undertaking or any similar confirmation," Mr Yeoh said.

Bankers said Cepa shareholders might be disgruntled that the higher YTL proposal of HK$19 did not go ahead. A marriage between YTL and Cepa would have created the largest independent power producer in Asia, with about 10,000MW of generation capacity in operation and interests in Malaysia, Indonesia, the Philippines, China, India and Pakistan.

YTL's *inability to secure* Hopewell's backing for its offer was seen partly as a result of the Hong Kong group's prior acceptance of the Southern bid, but also because of doubts about the terms of the Malaysian group's approach.

"There were uncertainties about how YTL would finance the acquisition," said one investment banker.

Mr Yeoh, however, said that *YTL's financing for the Cepa* proposal was solid.

Barry Riley

Don't worry about the yen, look at the D-Mark

Weakness in the Japanese yen, which has dropped from Y110 to Y114 to the dollar in four weeks, should not distract attention from what may turn out to be a bigger forex story, the past week's firming of the European currencies against the dollar.

On Monday, President Bill Clinton unveiled a US budget deficit of only $107bn, sharply lower than for the previous fiscal year and a trivial proportion of GDP by European or Japanese standards. But he is making less fuss about the *trade deficit* which is widening again as the buoyant US economy sucks in imports.

Last year's bitter trade dispute with Japan has been forgotten as the Clinton administration enjoys the benign short-term effects of a stronger dollar, notably in restricting inflation. But the longer-term imbalances of the US economy will have to be addressed in Clinton's second term, assuming he wins by the projected landslide next week.

Meanwhile, the Japanese, their election over, are taking advantage of the temporary US parochialism. *The simple rule* is that if you print enough money you will weaken the currency, even if there is a *trade surplus.* And while for a year or two the money has mainly been exported by the Bank of Japan through foreign exchange intervention, it seems that private capital outflows are now expanding rapidly as domestic bond yields sink to a pitiful new low of 2.6 per cent.

The danger here is that foreign exchange rate movements based on capital flows tend to be destabilising because currency movements and foreign asset price gains are compounded and are liable to generate speculative excesses. Meanwhile, the underlying trade imbalances of Japan and the US are made worse, at *least until there is a recovery* in the Japanese economy.

Nevertheless, this year has seen a window of dollar strength because both the Bank of Japan and the Bundesbank have been loosening their monetary policies. But the latter, at least, has now signalled that it has done enough in this respect.

The US has drifted into heavy net indebtedness, principally because of its low level of domestic savings. Since 1990, according to a research paper*, dollar assets have risen from 50 per cent to 56 per cent of central bank reserves totalling about $1,700bn.

> The Japanese, their election over, are taking advantage of the temporary US parochialism

In the past year, overseas central bank holdings of US Treasury securities in Federal Reserve custody have risen by $110bn to a total of almost $600bn (nearly a fifth of all outstanding marketable Treasury debt). Foreigners are now financing the whole of the US government's fiscal deficit, encouraging US investors to chase higher returns in other countries, including exotic emerging market paper.

In recent years, the rapid accumulation of dollars by south-east Asian central banks has become especially important, as they have sought to hold their currencies down against the dollar. But several of these countries are now suffering balance of payments deficits and, in one or two cases, from more serious financial instability.

US Treasuries now emerge as the highest-yielding government bonds of leading countries (other than UK gilts) even though the US government's finances are among the healthiest. Even Canadian bond yields dipped lower, briefly, last week. There are simply too many international holders who worry they may become overexposed, and too few domestic buyers at sub-7 per cent yields, when equities appear to offer higher and more reliable returns.

The game may still have some time to run. Japan is determined to export its internal financial system problems if it can, aided and abetted by front-running New York hedge funds. And, whatever the Bundesbank thinks, the German government and its Maastricht-stricken European allies can scarcely *wish for a strong* D-Mark just yet.

But the next dollar crisis is waiting to happen.

**Research Study No. 13, World Gold Council. Tel +44 171 930 5171.*

Ericsson claims lead as pre-tax jumps 23%

By Alan Cane

Ericsson, the Swedish telecommunications equipment manufacturer, claimed yesterday to be the world's largest supplier of mobile and fixed network systems, after 20 consecutive quarters of improved order bookings.

Announcing the group's third-quarter results, Mr Lars Ramqvist, chief executive, said: "We hold a strong market position as the leader in mobile telecommunications, with AXE as the internationally highest-selling telephone switch."

The group said pre-tax profit in the third quarter came to SKr2.148bn ($326m), a 23.4 per cent improvement on the SKr1.741bn recorded in the same period a year earlier and exactly in line with market expectations.

For the first nine months of the year pre-tax profit came to SKr6.53bn compared with SKr5.144bn in the same period of 1995, an increase of 30 per cent.

Order booking rose 22 per cent to SKr 95.63bn in the first nine months of 1996, compared with SKr78.59 for the same period a year ago, chiefly because of growth in radio communications and public telecommunications, the company said.

The shares, however, fell SKr6 – more than 3 per cent – to SKr183. Analysts said the slide was a consequence of profit-taking, which came after strong growth in the stock since mid-July and disappointment that the company had not produced results ahead of expectations.

Shares in Nokia, the Finnish company which holds a leading position in the mobile phone market fell FM8.5 to FM207 – a drop of almost 4 per cent – as dealers concluded that Ericsson may be winning a greater share of some of Nokia's core markets.

Ericsson's net sales in the first nine months came to SKr78.2bn, an increase of 17 per cent compared with the SKr66.9bn recorded in the same period in 1995. Gross margins weakened slightly, however, as competition in world markets continued to intensify. A stronger Swedish krone led cut pre-tax income by nearly SKr700m compared with a year earlier.

Cash flow before financial activities, however, was negative in the nine-month period owing to strong growth, larger inventories and increased vendor finance. Telecom equipment suppliers are increasingly providing support to operators in the form of either finance or consultancy as a way of opening markets.

The US remains the company's largest market, followed by China/Hong Kong, Sweden, the UK, Italy and Spain. Exports from Sweden rose 30 per cent from last year, to SKr48.5bn.

Analysts said the results indicated Ericsson had not relaxed its grip on its key markets. "This is a very solid set of numbers. Ericsson is the quality stock in the sector," one said.

Mr Ramqvist said there were two reasons for Ericsson's continued success. "First, we have a very strong market organisation. Based on a long-term presence in more than 100 countries, we have established relationships and gained knowledge which give us the opportunity to serve customers locally and meet their varying needs.

"Second, we derive our strength from focused investments in research and development. More than 18,000 employees in 22 countries are involved in technical development".

He said the company had been analysing its strategies through a programme called "2005 – Ericsson entering the 21st Century".

Analysts believe markets now understand that Ericsson and Nokia are fundamentally different from Motorola of the US, a leader in mobile communications but also a manufacturer of semiconductors. They are leaving full-year pre-tax profit estimates at SKr9.2bn, against SKr7.82bn last year.

Lex, Page 12

Lars Ramqvist: 'We hold a strong market position as the leader in mobile telecommunications'

Lower prices hit DSM

By Daniel Green in London

Lower prices and higher raw material costs hurt profit margins at DSM, the Dutch chemicals company, which reported third-quarter results yesterday.

Net profits fell from Fl 234m in the previous year's third quarter to Fl 178m ($104.4m). Operating profits in the period fell from Fl 342m to Fl 239m, while turnover rose from Fl 2.26bn to Fl 2.48bn.

The company warned that its fourth-quarter results would be affected by higher raw material costs, particularly for naphtha, which is used in most plastics, as well as by planned maintenance shutdowns.

"We expect it will be possible to pass on only a part of the increase in feedstock costs via the prices of our products," said the company. DSM shares fell Fl 5.1 to Fl 161.5.

"Based on the third-quarter results, we maintain our forecast that 1996 will be a good year for DSM," said Mr Simon de Bree, chairman.

Mr de Bree said investments of Fl 1.3bn so far in 1996 were targeted mainly at strengthening DSM's fine chemical activities. The quarter's capital spending rose from Fl 252m to Fl 446m, including the amount spent on buying Spanish company Derivados del Etilo.

Cash flow fell from Fl 407m to Fl 365m, and earnings per share from Fl 25.61 to Fl 19.68.

Analysts said the outlook was not bad for the company. "The industry, including DSM, has seen good volume growth in recent months, and there should be enough momentum for prices to rise further," said one London-based chemicals analyst. "Over the longer term, however, increased capacity on a global basis will make it more difficult to keep prices rising."

DSM's third-quarter performance followed a 40 per cent fall in first-half profits, blamed on last year's decline in the prices of petrochemicals and plastics.

Selling prices in the six-month period were down 6 per cent, while sales volume rose 1 per cent, helped by last year's acquisition of Chemie Linz, the Austrian fine chemicals business, which lifted sales 4 per cent.

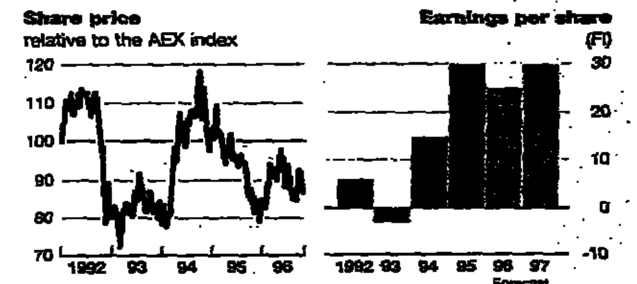
PROFILE

DSM

Market value: $3.5bn — Main listing: Amsterdam

Historic P/E	5.63
Gross yield (1995)	5.19%
Earnings per share	Fl 29.6
Current share price	Fl 160

Simon de Bree, chairman



Source: Extel, Datastream, ABN Amro, Reuter

Chernin emerges as News Corp number two

By Christopher Parkes in Los Angeles

Mr Peter Chernin, a 45-year-old television and film specialist, yesterday emerged as a clear second-in-command to Mr Rupert Murdoch in a sweeping shake-out of News Corp's management structure.

Mr Chernin, appointed group president, will also take on the role of chairman and chief executive of the media empire's North American operations, which will be consolidated under the Fox Group.

He will share the job of chief operating officer at News Corp with Mr Chase Carey, a 42-year-old television expert.

The promotions, which follow two years of relative stability within the group's upper US echelons, appear to conclude the long-running debate over the successor to Mr Murdoch, the 65-year-old chairman.

Mr Murdoch, main architect, spokesman and relentless driver of the business, has been under pressure from US investors for some years to act.

He will remain in clear overall control, although he also announced the formation of a new management group – a so-called "Office of the Chairman" – in an apparent concession to consensus. His 24-year-old son, Mr Lachlan Murdoch, named managing director of the group's Australian operations last month, was yesterday moved further up the pecking order, joining the News Corp board with Mr Chernin and Mr Carey.

Although the changes are likely to meet most investors' demands, they appear to add further layers of complexity to the power structure at News Corp. The group, which generates revenues of $10bn a year from its international operations, this year inaugurated an 11-person strategic executive committee to steer the company.

The Office of the Chairman has been set up to manage international operations. Participants – led by Mr Murdoch Sr – include Mr Chernin, Mr Carey, Mr David DeVoe, chief financial officer, and Mr Arthur Siskind, the group's legal brain.

Mr Chernin, former president of the Lorimar film company, was promoted from the Fox TV programming arm to lead 20th Century Fox in 1992 after the departure of Mr Joe Roth, now film supremo at Walt Disney.

Mr Carey's last promotion, to chair Fox Television, came in 1994 when the group's broadcasting chief, Ms Lucie Salhany, quit.

Both men have played leading roles in propelling the Fox television network to a position from which it may challenge the influence of US broadcasting's "big three" – NBC, CBS and ABC. However, its progress has slowed recently.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on 30.10.96: Pool purchase price £/MWh	Final Prices for Trading on 02.10.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.66	9.15	9.15
0100	13.03	9.15	9.15
0130	13.03	9.15	9.15
0200	13.03	9.15	9.15
0230	13.03	9.15	9.15
0300	11.66	9.15	9.15
0330	11.66	9.15	9.15
0400	11.66	9.15	9.15
0430	11.66	9.15	9.15
0500	11.63	9.15	9.15
0530	11.63	11.71	11.71
0600	11.66	11.71	11.71
0630	11.69	11.74	11.74
0700	12.92	11.78	11.78
0730	16.51	17.70	20.52
0800	16.61	20.43	23.69
0830	16.97	31.12	34.60
0900	17.42	32.44	38.28
0930	17.67	48.05	51.89
1000	19.89	48.44	52.38
1030	19.95	48.09	51.94
1100	20.00	22.74	26.56
1130	32.52	22.95	26.83
1200	32.60	25.88	29.76
1230	32.43	25.01	28.70
1300	30.62	20.83	24.21
1330	17.37	19.66	22.69
1400	17.28	12.51	12.51
1430	17.23	12.32	12.32
1500	17.22	12.26	12.26
1530	17.31	12.34	12.34
1600	18.52	12.94	12.94
1630	37.58	21.05	24.53
1700	140.33	33.17	36.94
1730	220.50	33.09	36.80
1800	232.31	27.40	30.85
1830	144.08	21.08	24.57
1900	86.10	27.33	32.85
1930	37.25	55.09	60.64
2000	24.33	54.59	60.00
2030	19.57	37.69	41.52
2100	18.10	18.87	22.04
2130	16.53	18.00	20.77
2200	16.50	15.29	17.97
2230	16.49	15.24	17.90
2300	16.49	17.30	19.96
2330	15.95	15.24	17.90
2400	12.91	11.77	11.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.

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SGS-Thomson upbeat on chips

By Paul Taylor in London

After a year-long slump, the global semiconductor market appears to be on the brink of recovery, according to Mr Pasquale Pistorio, president and chief executive of SGS-Thomson Microelectronics, the Franco-Italian chip manufacturer.

Mr Pistorio said yesterday the market was likely to pick up from the second half of next year, ending the difficulties for semiconductor manufacturers caused by worldwide over-supply and falling prices for their products.

During a visit to Japan, Mr Pistorio said: "We don't have a crystal ball, but we estimate that, when you are coming out of an inventory stabilisation phase, as we are now, prices tend to stabilise even at a very low level."

His comments confirm the growing optimism among semiconductor manufacturers that the slump – which has seen sales fall for the first time in a decade and forced some manufacturers to slash production – may be coming to an end.

Earlier this month the US Semiconductor Industry Association (SIA) published figures showing that its book-to-bill ratio, a leading indicator of market trends, rose in September to its highest level this year.

Mr Doug Andrey, SIA's director of information systems and finance, described the figures as "the most positive numbers we've seen all year". The data suggested the 1996 slowdown had "bottomed out", he said.

Yesterday, Mr Pistorio predicted that semiconductor supply and demand should level out this year as huge stocks are cleared.

"In the second half of 1997, we see adequate utilisation rates with demand and capacity in balance. So we expect the market will again follow the standard pattern of growth in the semiconductor industry," he said.

Canal Plus signs fresh film deal

By Andrew Jack in Paris

Canal Plus, the French pay TV group, yesterday signed the second agreement in two days with a large US media group for exclusive distribution of films on its satellite and terrestrial channels.

It agreed a contract, expected to last about five years, with Columbia Tristar International Television, a division of Sony Pictures Entertainment, which holds the rights to a large collection of US films.

The contract gives Canal Plus exclusive access to the first French broadcasting rights to the new films controlled by the US group for Kiosque, the pay-per-view service on its Canalsatellite service, as well as the existing encrypted Canal Plus television channel.

Columbia's recent films include *Sense and Sensibility*, *Jumanji* and *Legends of the Fall*, while its rights to earlier productions include such films as *Lawrence of Arabia* and *Ghostbusters*.

The news follows the announcement by Canal Plus on Monday that it had signed an exclusive contract for pay television with MCA, the US TV and entertainment group, for its catalogue.

That would bar rival pay television groups – and notably competitor satellite services – from using the catalogue, although unencrypted terrestrial channels could still have access to MCA's catalogue of films.

Canal Plus stressed the agreements did not increase the size of its existing film acquisitions budgets.

INTERNATIONAL NEWS DIGEST

Cariplo revamps regional bank units

Cariplo, the Milan-based savings bank, yesterday announced an overhaul of two subsidiary savings banks in southern Italy which this year are set to lose L800bn ($526m). The losses at Cariplo's Caripuglia and Carical, covering the regions of Calabria and Puglia, have yet to be fully assessed; but underline the parlous state of financial institutions in southern Italy and the high cost of restructuring.

According to Mr Claudio Dematté, Cariplo's deputy chairman, refloating the two institutions would require an operation similar to, but smaller than, that being carried out by the troubled Banco di Napoli. This would involve the removal of bad loans totalling L3,800bn to a specially created "bad bank" (under the so-called Sindona law which permits state guarantees for losses on such loans) before the injection of some L800bn of new capital. In the case of the Banco di Napoli, the bad loans being parked amounts to more than L10,000bn.

The first stage in the restructuring plan will be an agreement on job cuts with the unions, followed by the creation of Fincarime which will take Cariplo's 79 per cent stake in Caripuglia and 63 per cent stake in Carical. The bad loans would be then be removed to the "bad bank" agreement. The main problem risks being the need to cut labour costs by up to 20 per cent in the 4,500 workforce.

Robert Graham, Rome

Mexico construction mixed

Mexico's three largest construction companies reported mixed third-quarter results this week, after patchy recovery from last year's recession. Empresas ICA, the country's biggest construction company, reported a 29 per cent jump in third-quarter sales to 1.8bn pesos ($228m), largely because of the company's increasing operations in other countries, which accounted for 27 per cent of revenues.

Bufete Industrial, which specialises in industrial construction, saw third-quarter sales jump 72 per cent to 1.2bn pesos, owing to the company's execution of more integrated engineering, procurement and construction projects, particularly in the oil and petrochemical sector. However, Grupo Tribasa, which was closely involved in the toll-road building that was the most dynamic part of the industry in the early 1990s, saw sales drop 12 per cent to 433m pesos.

Construction activity, which fell more than a quarter in 1995, increased only 3.6 per cent year-on-year for the first seven months of 1997, according to government figures. However, construction companies predict a more pronounced upswing in 1997, stimulated by financial restructuring of troubled toll road concessions, greater aid for mortgage holders, increased public spending and private and off-balance sheet infrastructure projects, especially in the oil and power industries.

Activity has also shifted from road building towards industrial projects, particularly those related to exporting industries. Operations paid for in foreign currency, whether carried out in Mexico or abroad, now account for 40 per cent of ICA's sales, almost twice the proportion of a year ago. ICA reported an 11 per cent increase in operating profit to 155m pesos compared with the same period a year before, while net profits slid from 87m pesos to 15.5m pesos because of fewer profits from financial operations. Bufete's operating profit moved up 161 per cent to 70.8m pesos, while net income of 18.6m compared with a loss of 68m pesos last year. Grupo Tribasa operating income fell 75 per cent, to 18m pesos.

Daniel Dombey, Mexico City

Nouveau Marché rule change

New companies on the French Nouveau Marché, launched this spring, will no longer be required to publish three-year financial projections but must provide quarterly results, the stock market authorities said yesterday. Companies will also no longer need to have minimum assets of FFr20m ($3.9m), and the requirement for board members to retain their shares after quotation can be extended to other investors. The measures are designed to bring the market into line with the US Nasdaq exchange, at a time of intensifying competition between European stock markets for new, fast-growing companies.

Andrew Jack, Paris

Ina up 30% at halfway

Ina, Italy's second largest insurer, reported a 30 per cent increase in first half pre-tax profits, from L390.8bn to L509.8bn ($335m). The group, whose privatisation was completed in May, forecast end of year results would be "considerably better" than in 1995 which recorded a L812.2bn pre-tax profit.

Non-life business fell 14 per cent, from L1,968bn to L1,687bn, but life business rose 7 per cent, from L1,273bn to L1,368bn. The operating result on life business rose from L372bn in the same period last year to L437bn. On the non-life side – which is 55 per cent of activity – the operating result jumped to from L20.5bn L88.4bn. Before the results were released, Ina shares closed down 0.6 per cent yesterday, at L2,096.

Robert Graham, Rome

Banco Espírito Santo ahead

Banco Espírito Santo (BES), one of Portugal's leading banking groups, yesterday posted a 17 per cent increase in net consolidated profit for the first nine months of 1996 to Es15.8bn ($102.8m). Analysts said the better than expected results reflected strong financial trading gains from buoyant bond markets that had lifted the earnings of most Portuguese banks. Net profit for the parent bank rose 11.9 per cent, from Es13.5bn in the first three-quarters of 1995 to Es15.1bn.

Operating costs rose 7.1 per cent to Es43.5bn, mainly as a result of the opening of new branches and investment in information technology, the bank said. Commissions from the cross-selling of insurance premiums, which BES considers an important competitive advantage, rose 11 per cent. The group controls Tranquilidade, Portugal's biggest insurance company, but does not consolidate its accounts. Total assets grew 12.8 per cent to Es3,120bn and total loans rose 14 per cent to Es1,351bn.

Peter Wise, Lisbon

Peugeot sales advance 16.5%

Peugeot, the French automotive group, said sales rose 16.5 per cent, to FFr41.06bn ($8bn) year-on-year in the three months to September. It said sales for the nine months were up 6.9 per cent at FFr130.1bn. Peugeot said it sold a total of 1.488m vehicles worldwide in the first nine months, an increase of 8.2 per cent on the same period of 1995.

Sales in France were up 13.2 per cent at 581,200 units in the same period, while sales in the rest of Europe were up 5.8 per cent to 729,000 and sales for the rest of the world increased 2.8 per cent to 177,800. Peugeot said the European car market expanded 12.2 per cent in the third quarter and 6.6 per cent in the first nine months of 1996.

AFX News, Paris

Rémy Cointreau strong

Rémy Cointreau, the French drinks group, said sales rose 4 per cent, to FFr3.07bn ($600m), in the six months to September 30, from FFr2.941bn a year earlier. The company said the first-half figures reflected a positive trend in China, sustained growth in the US and in markets in Europe. Cognac sales declined 2 per cent to FFr941m in the period; liqueur, wine and spirits sales rose 4 per cent to FFr1bn; and champagne sales were steady at FFr343m. Sales of associated brands rose ... per cent, to FFr782m.

AFX News, Paris

Taking a slice of the action

TelePizza's IPO may encourage other small Spanish businesses

After a long period of domination by solid stocks in the banking and utility sectors, Madrid's Bolsa is due to gain an unusual newcomer. It is TelePizza, a company which opened its first fast-food business in 1988 and now controls 55 per cent of Spain's home-delivery pizza market.

The offer, launched this week, is for 45 per cent of the company. It is worth some Pta12bn ($93.7m), as the market value of the fast-food group is estimated at between Pta23bn and Pta27.2bn.

In spite of its small size, the TelePizza listing is a cultural revolution, partly because it belongs to a wholly new sector and is certain to encourage other small family-owned companies on to the market.

With TelePizza, it is claimed, the Bolsa will at last begin to reflect changing Spanish lifestyles. Spain was a late starter in the fast-food sector, but now leads European growth with an annual growth rate of more than 30 per cent in the past five years.

TelePizza has benefited from this growth. It opened 187 pizzerias between 1991 and 1995, and will have launched more than 30 more by the end of this year. It plans to be running more than 420 by 1999, mostly through franchises, of which about 90 will be outside Spain.

The company does not believe this rapid expansion will cause indigestion. Analysts are forecasting continued growth in the pizza segment because fast-food consumption in Spain still lags that of France and Germany.

Analysts say TelePizza's listing will provide an ideal test of the view that greater shareholding opportunities should be given to Spanish investors

The listing is revolutionary also because it will be aimed primarily at domestic institutions and retail investors. It thus bucks a trend by which public offerings have been weighted towards the international markets.

The only comparable recent IPO in Spain is that which raised $275m last July for Sol Meliá, the hotel group based on the holiday island of Mallorca.

However, 60 per cent of the Sol Meliá offering was placed with international institutions and 40 per cent was reserved for the domestic institution and retail tranches.

By contrast, the TelePizza IPO involves an international tranche of just 40 per cent of the offering, while 45 per cent will be placed with retail investors and 15 per cent with domestic institutions.

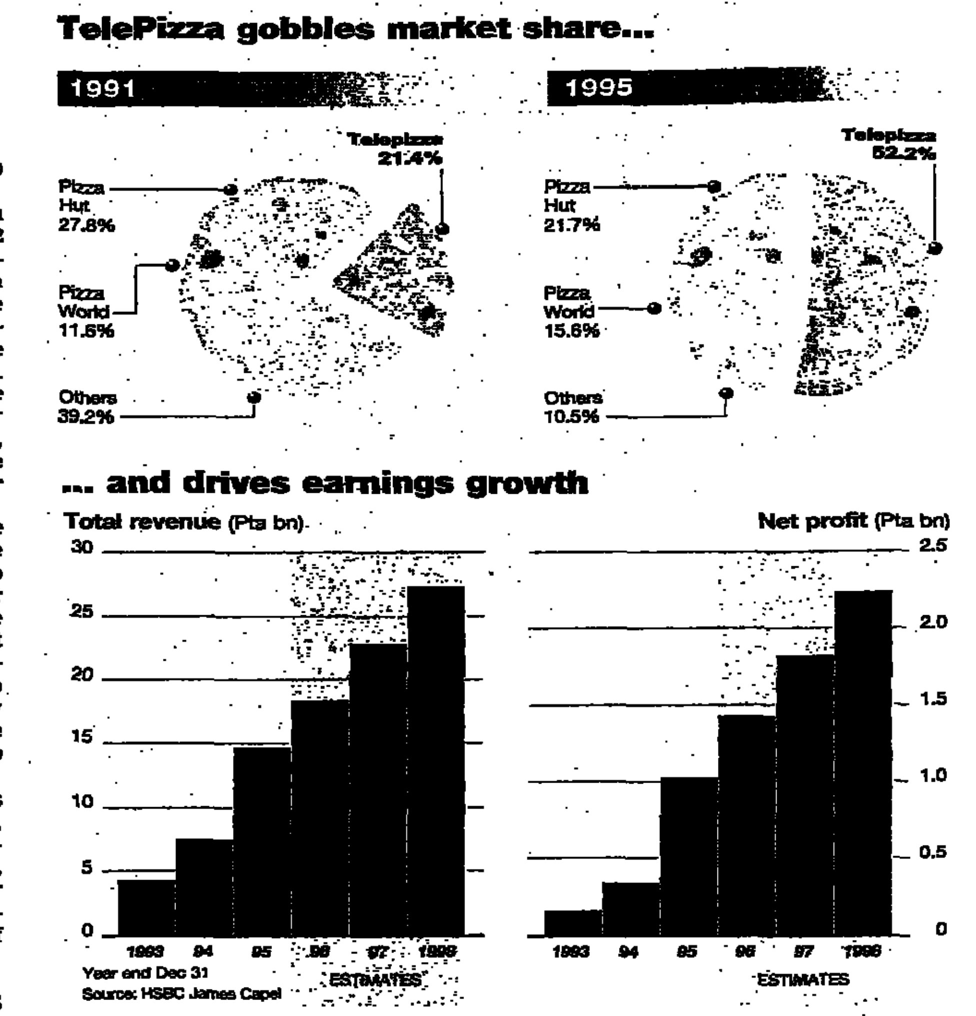
BBV Interactivos, the broking unit of Banco Bilbao Vizcaya which is co-ordinating the IPO with Merrill Lynch of the US, is one of several Spanish institutions that have come to believe in the growing capacity of the domestic market to absorb stock offerings.

The domestic tranche in the Sol Meliá offering was 22 times oversubscribed. Analysts now say that TelePizza provides an ideal test of the view that greater shareholding opportunities should be given to Spanish investors. Should the new tranche weighting designed for TelePizza be successful, it is likely to influence the offer structure of further listings.

Madrid brokers believe there will be several more small companies seeking to tap the markets in the near future – even with the planned privatisation next year of Telefónica, the telecoms operator, the oil group Repsol and the power utility Endesa. Together, these placements are expected to realise some Pta1,000bn.

Offerings by as many as five family-owned groups, worth Pta25bn, are understood to be in the pipeline, and a further 10 of a similar size are under serious consideration in the wake of TelePizza's example.

Tom Burns



Sharp US growth lifts Audi sales 11%

Audi, the Volkswagen subsidiary, said group sales rose 11.1 per cent to DM13.6bn ($8.95bn) in the first nine months, aided by strong growth in overseas business, reports AFX News in Ingolstadt.

Unit sales rose 7.2 per cent to 362,274 in the period, the company said. For the full year, Audi expected sharply higher earnings. Unit sales were expected to rise more than 7 per cent, from 448,518 in 1995. Mr Herbert Demel, chairman, said the company would continue to pursue a strategy of international expansion, aiming at "young, high-growth markets".

In the first nine months, unit sales in the US jumped 59.3 per cent to 19,731. In Western Europe, unit sales rose 12.1 per cent to 145,358, with growth especially strong in the UK at 26.5 per cent, Spain at 16.1 per cent and France at 13.5 per cent.

In the rest of the world excluding China, unit sales rose 29.2 per cent to 28,202. Unit sales in China rose 40.3 per cent to 9,489, while in Japan they were up 22.4 per cent to 7,341. In Germany, unit sales rose 0.8 per cent to 159,494.

The company said its market share slipped to 5.9 per cent from 6.3 per cent the year earlier. "By the end of the year, market share should have reached 6 per cent again." Audi made investments totalling DM981m in the reporting period, up 93.4 per cent year-on-year. At the end of September, the company had a workforce of 35,362, up 5.8 per cent. In Germany, staff levels grew 3.9 per cent to 34,450 employees.

● BMW, the German automotive group, expects 1996 US sales of more than 100,000 cars, after a 13 per cent rise in the first nine months, reports AFX News in Frankfurt.

Mr Helmut Panke, chairman and chief executive of BMW's US arm, said sales reached 80,149 units in the period to September.

Handelsbanken ahead 19% at nine-month stage

Handelsbanken, the Swedish bank, posted operating profits after provisions for the first nine months up 19 per cent from SKr3.794bn to SKr4.52bn ($686m), AFX News reports from Stockholm. Net profits rose from SKr2.69bn to SKr3.47bn on revenues up from SKr10.5bn to SKr11bn.

The market had expected a figure of between SKr4.4bn and SKr4.8bn. The shares rose SKr0.50 to SKr162. Earnings per share rose from SKr11.39 to SKr14.57.

Handelsbanken said non-performing loans fell by 28 per cent to SKr2.63bn, or to 0.9 per cent of the total loan portfolio compared with 1.3 per cent a year earlier.

The bank said the improvement in operating profit after loan loss provisions was mainly due to increased net interest income and growth in commission income, while provisions continued to fall. Loan loss provisions fell from SKr1.77bn to SKr1.24bn.

Mr Arne Maartensson, chief executive, said margins in the third quarter improved for the first time since 1992. "Now it seems possible that we have reached a level where margins can begin to stabilise or go up somewhat," he said.

He saw productivity increasing 25 per cent over the next five years, as the bank's new transaction system comes into operation in 1999.

Commission income for the nine months rose from SKr1.66bn to SKr1.97bn, boosted by increased volumes in share trading and corporate finance operations. Net interest income benefited from increased volumes in deposit and lending operations, Handelsbanken said.

Total costs rose from SKr4.95bn to SKr5.19bn. Part of the increase was due to write-off costs of its leasing operations at its Handelsbanken Finans unit and its acquisitions in Finland.

Handelsbanken said its capital ratio at the end of September was 11.7 per cent, compared with 14.2 per cent at the end of 1995.

Engen trebles full-year profit

By Mark Ashurst in Johannesburg

Engen, South Africa's largest oil retailer, has prepared the ground for further consolidation in the African oil industry by announcing a threefold increase in full-year profits.

Higher international crude oil prices, improved refining margins and the sharp devaluation of the rand boosted net income from R116m last year to R349m ($75m). The results were in line with expectations and the shares closed up R55 at R2,625.

Mr Rob Angel, managing director, said that "further rationalisation was inevitable" in the local industry following the sale in June of a 30 per cent stake in Engen to Petronas, the state-owned Malaysian oil and gas company. "We are going to be a key player in that process," he said.

Net borrowings fell R896m to R144m, helped by R603m in cash from a rights issue in favour of Petronas. Analysts said that the lower gearing of 4 per cent would enable Engen to expand in the sub-Saharan region and strengthen its hand in negotiating closer ties with Sasol, the synthetic fuel producer which supplies one-third of the South African crude market.

The logic of closer collaboration or even a merger between Sasol, the country's biggest crude oil supplier, and Engen, its biggest retailer, is accepted by both companies.

There was "no doubt the issue would come back on the table," said Mr Angel, adding that Engen would welcome "a deal that makes sense to shareholders".

Mr Howard Fairbank, marketing manager, said Engen had begun operating 14 Sasol service stations under a franchise agreement. The deal signified that "Sasol's aspirations to get into the retail market place have been curtailed," he said.

Mr Angel said the results confirmed Engen's recovery from a dismal performance in 1995.

Turnover was 21 per cent higher at R10.9bn, helped by a 24 per cent increase in refinery volumes. Earnings per share were 218 cents, up from 73 cents last year but well below the 1994 level of 267 cents.

The final dividend was 60 cents, bringing the year's total payout to 96 cents, compared with last year's combined dividend of 60 cents.

Engen's share of the South African retail market was 24.3 per cent, marginally higher than last year. Return on capital rose from 2.6 per cent last year to 6.6 per cent, which Mr Angel described as "still pretty meagre".

The company had established "beach-heads" for its downstream retail business in Mozambique, Kenya, Tanzania, Zaire and Zimbabwe.

Energy Africa, a subsidiary housing Engen's upstream exploration activities, had raised R344.9m from its listing on the Johannesburg Stock Exchange in March.

Engen had retained a 65 per cent stake in Energy Africa, enabling it "to benefit from the value-adding activities without having to fund upstream activities on an ongoing basis".

Complete change of underwear

Frederick Stüdemann on how eastern bloc bra maker VEB Trikotex was transformed into a leading German designer

Seven years ago, the small town of Mittelbach in Saxony could claim to be an essential part of communist Europe. In a modest red-brick local factory, VEB Trikotex manufactured much of the underwear worn in the eastern bloc.

Mittelbach still turns out underwear, but under a different guise. The factory that once housed VEB Trikotex is now the headquarters of Bruno Banani, one of Germany's leading makers of designer underwear. It represents an instructive as well as successful example of a company turnround in the former East Germany.

A traditional textile town just outside Chemnitz, in eastern Germany's industrial heartland, Mittelbach once made standard bras by the million for the Soviet Union's mass market. Now it makes "active wear" bodies – sold under the motto "Not For Everybody" – for the designer boutiques of western Germany's wealthier cities.

Bruno Banani, formed three years ago after privatisation, expects sales this year of more than DM10m ($6.58m) – double the 1995 figure.

It will also make a profit, says Mr Wolfgang Jassner, chief executive and majority owner.

Mr Jassner, who formerly worked for a big west German underwear maker, came to Mittelbach shortly after the fall of communism as a consultant, sent by the German textile manufacturers' federation to advise Trikotex on how to adapt to capitalism.

At the time, the Treuhand privatisation agency was unsure what to do with the company, which once employed 2,500.

Like many east German companies, Trikotex had skilled workers, but its machinery was outdated and the company found it difficult to compete with more sophisticated western competitors.

Trikotex had won a few contracts to supply west German companies, but knew there was little future in being a piece-work operator in a mass market. "There are enough cheap producers in the world," says Mr Klaus Jungnickel, Trikotex's business manager and now managing director of Bruno Banani.

"We were very ambitious and were determined continually to raise the quality of our output," Mr Jungnickel says.

He was interested in establishing Trikotex as a brand, but lacked the knowledge of how to go about doing so.

'In the end all we are talking about is a pair of underpants' – Klaus Jungnickel, Bruno Banani managing director

The arrival of Mr Jassner, who has a background in marketing, was highly fortuitous.

In the first three years DM4m was invested in the company. Much of this went into new machinery, but there was also heavy expenditure on marketing. An advertising agency was called in to advise on giving the company a new image – starting with a new name.

Freelance designers, mostly in west Germany, were commissioned to design new ranges with an emphasis on the body-hugging and sporty. Every 45 days a new range is launched to sit alongside the basic lines. Both are backed up by slick promotional material.

Mr Jungnickel says the heavy emphasis on image is necessary to distinguish the product.

"In the end, all we are talking about is a pair underpants," he says.

This year, Bruno Banani expects to make 750,000 items, five times more than in its first year of trading.

On the distribution side the company has concentrated on upmarket outlets in good locations.

It is there, says Mr Jassner, that the ideal customer – sporty, image- and quality-conscious – can be found. Most of Bruno Banani's 700 stockists are in west Germany, though recently the company has started to export as well and is proud that Harrods has shown an interest.

Products are priced to be at the lower end of the designer underwear market.

Margins at Bruno Banani are helped by the wage bill for its workforce – totalling about 100 – which earns on average only about 70 per cent of its western German counterpart.

Property sales in Manila financial district development drive spectacular profits rise

Corporate City lifts net 560% at Filinvest

By Edward Luce
in Manila

Filinvest Development (FDC), one of the Philippines' largest property companies, said net profits surged 560 per cent to 2.9bn pesos ($110.4m) in the first nine months of 1996, on the back of strong property development sales.

The holding company, owned by the Chinese-Filipino Gotianum family, said initial sales at its 244ha development site – known as "Corporate City" – were behind the surge. Net revenues rose from 1.15bn pesos to 5bn pesos.

Corporate City, which is competing with other projects to become Manila's next business district, sold 8ha of lots in the first nine months, at 70,000 pesos/sq m. Shares in Filinvest Land, FDC's main property subsidiary, closed slightly up at 8.7 pesos yesterday. Filinvest Land's net earnings grew 110 per cent to 1.4bn pesos.

"Corporate City is the main reason for Filinvest's growth," said Mr Rafael Garchitorena, analyst at W.I. Carr in Manila. "Filinvest got the land from the government for free and it is posting gross margins of 90 per cent on lot sales."

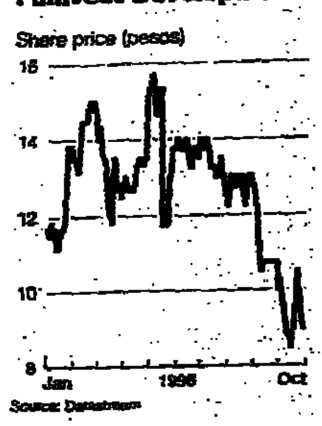
Analysts said the results, which are in line with the strong growth seen by other Philippine property companies this year, reflect Filinvest's low base in 1995 and rapidly advancing property prices this year.

Filinvest Land, whose shares are trading at a price/earnings ratio of 17 – in line with the composite average – is regarded as relatively insulated from the expected property downturn. Apart from Corporate City, which is targeted at industrial rather than mainstream business clients, Filinvest's assets are concentrated in the middle-income housing market. Most of Filinvest Land's debt comes from lending to buyers of its middle-range housing.

The company, which has a debt-to-equity ratio of 61 per cent, has largely avoided high-profile investments in the luxury residential and high-rise office sectors, which are seen as most vulnerable to a fall in the market. The rapid growth of the middle-class housing market, on the other hand, is expected to continue.

However, the company also has a 4 per cent stake in the Fort Bonifacio development, the main rival to Makati, Manila's first business district. Filinvest Land's shares have dropped sharply in the last few weeks in line with the overall decline in property stocks.

Filinvest Developments



Source: Datastream

Weak demand hits profits at Hino Motors

By Michiyo Nakamoto
in Tokyo

Hino Motors, a leading Japanese truckmaker, yesterday reported reduced profits on lower sales in the first half of the year, which it blamed mainly on the weakness of the domestic economic recovery.

Non-consolidated sales in the period declined nearly 7 per cent to Y286.2bn ($2.5bn), while recurring profits fell 34 per cent to Y4.7bn.

Net profits fell 26 per cent to Y2.8bn.

Hino, which specialises in diesel trucks, said the weak economic environment in Japan had hit sales of large, high-margin trucks in particular, as these are the first to be affected by sluggish conditions. Demand for its large trucks fell 9 per cent, the company said.

About 40 per cent of the company's large trucks are used in the construction industry, which has been affected by a downturn in public works and stagnant private investment.

Transport trucks, which make up the rest of the large truck category, were in turn affected by weakness in manufacturing activity, Hino said.

Overseas, the company was hurt by a slowdown in demand from Thailand and Indonesia. Sales in Thailand have fallen to 7,000 units in the period, from 8,500 units in the first half of last year.

Meanwhile, Hino's operations in the US and Australia also suffered from intensified competition. As a result of these setbacks, the company's exports declined 14 per cent.

Hino has been cutting costs in response to the difficult environment. Costs declined Y1.5bn in the first half.

Hino does not expect conditions to improve significantly in the second half.

For the full year, it forecasts a rise in sales to Y618bn, from Y586.7bn last time, because of increased production orders from Toyota Motor, its largest shareholder and for which Hino manufactures light trucks and some recreational vehicles.

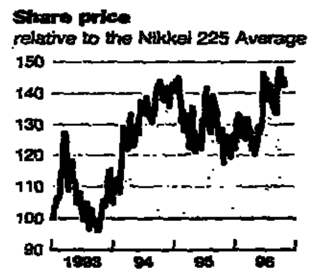
However, it sees a decline in recurring profits to Y9bn from Y12.1bn, as a result of sluggish sales of the more profitable large trucks.

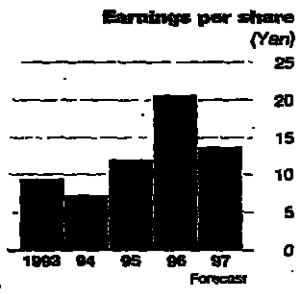
PROFILE
Hino Motors

Market value: $3.31bn | Main listing: Tokyo

Historic P/E	51.0
Gross yield	0.57%
Earnings per share	¥20.59
Current share price	¥1040.0


Tomio Futami, president





Source: Extel, Datastream, Toyo Keizai, Reuter

Bridgestone to buy Firestone S Africa parent

By Michiyo Nakamoto

Bridgestone, one of the world's leading tyremakers, is to buy South Africa's second-largest manufacturer in a deal that will expand the Japanese group's sales and manufacturing base in the region.

Bridgestone has agreed in principle to buy all of Fedstone, for R290m ($62.2m), by the end of the year. The South African group is a holding company with subsidiaries including Firestone South Africa, one of the largest tyre manufacturers in the country, as well as retail and car maintenance outlets.

The move reflects Bridgestone's expectations that the South African market for tyres will expand, and supports its strategy to take a 20 per cent share of the world market by 2000.

South Africa's tyre market, which saw demand of 67,000 tonnes last year, is only a fraction of the Japanese market, where demand totals about 600,000 tonnes a year.

However, Bridgestone expects South African demand to grow to 80,000 tonnes by 2000. Bridgestone already has a 25 per cent share of the South African market, where it is particularly strong in large tyres for construction vehicles, such as dump trucks.

Firestone South Africa was sold to Fedstone in 1987, when the parent left South Africa amid international criticism of apartheid. Bridgestone bought the Firestone brand a year later.

● Toyo Tire, Japan's fourth-largest tyre manufacturer, said profits for the half-year would be significantly better than previously forecast. This was because of increased sales and the weakness of the yen, which helped support overseas profits.

Toyo said yesterday sales would be Y92.8bn ($812.3m), rather than Y92bn as forecast earlier, while recurring profits would be Y1.2bn, rather than Y700m. Net profits would improve to Y400m from a previously forecast Y300m.

HK groups buy stakes in GIH

By John Ridding
in Hong Kong

Jardine Fleming and Sun Hung Kai Properties, two of Hong Kong's most prominent companies, will both take a 30 per cent stake in the financial services arm of Goodwill Investment Holdings, the Hong Kong property and financial concern, according to an agreement announced yesterday.

Although the deal is relatively small, involving a total investment which is estimated at about HK$140m (US$18.2m), it marks a strategic move for the companies involved. It gives Goodwill powerful backers from the Hong Kong business establishment, strengthening its expansion plans.

For Jardine Fleming, the investment banking arm of the Jardine Matheson group, it brings access to new clients, including wealthy Hong Kong Chinese individuals. For Sun Hung Kai, one of the territory's largest property groups, the deal marks a diversification into financial services.

Mr Raymond Kwok, managing director of Sun Hung Kai, expressed confidence in the prospects for the sector. "Hong Kong will be playing an increasingly important role as the financial centre for China and the region."

Under the terms of the deal, Goodwill Investment Holdings will retain a 40 per cent stake in its financial services arm. GIH is controlled by Goodwill International Holdings, a privately held company whose shareholders include some of Hong Kong's most prominent business groups.

Mr Gary Chan, Goodwill's finance director, said the company would complement Jardine Fleming's existing operations in financial services. "Often we can source a deal, but we need Jardine Fleming to handle the issue."

Thai SEC warns on margin trade

By Ted Bardacke
in Bangkok

Investigators at Thailand's Securities and Exchange Commission have uncovered at least two cases of listed companies buying their own shares on margin – mainly with borrowed funds – through shell nominees. This suggests that the problem with the Bt120bn ($4.7bn) in outstanding margin loans in the country's stock exchange may be larger than thought.

"In one case, the executive directors [of the company] were forced to assume the whole portfolio, while in the other we ordered them to immediately liquidate the position," said Mr Prasarn Trairatvorakul, deputy secretary-general of the SEC. "The practice is not widespread ... but we're looking more deeply at margin lending."

Analysts say more cases exist, but fear detailing the extent of the problem would depress Bangkok's ailing stock market even further. The problem is particularly acute in the property sector, they say, where several finance companies are doubly exposed, having lent to property companies for development and then extended margin loans to large shareholders trying to prop up the share prices.

Regulators declined to name the two companies sanctioned, but the country's central bank has been lending money to a number of small finance companies which are facing severe liquidity problems partly as a result of enthusiastic margin lending, officials say.

While margin lending accounts for only 4 per cent of the stock markets' capitalisation, nearly one-quarter of all margin loans have been used to buy shares in just 20 companies, and nine finance companies have extended margin loans of more than Bt5bn each.

Mr Rerngchai Marakanond, governor of the Bank of Thailand, recently said that although the central bank would not let any finance company fail, it would encourage mergers among the 48 that have no ties with commercial banks.

"When these companies suffer financial difficulty, the impact inevitably spreads across the industry," he said. Of the 91 finance companies licenced by the central bank, only 25 are expected to remain after an industry shake-out, says consultancy Booz Allen.

ASIA-PACIFIC NEWS DIGEST

Somprasong debt crisis deepens

Debt obligations of Somprasong Land, the big Thai property developer, were called into question yesterday as Mr Prasong Panichpakdi, the company's chairman and managing director, was taken into police custody on charges of doctoring financial statements, falsifying company reports and destroying evidence.

Somprasong, understood to be having liquidity problems as a result of the downturn in Thailand's property sector and delays in the completion of projects, has a $3.1m interest payment to make in January on a convertible eurobond it issued in 1994. Company officials had pledged that the payment would be made to bondholders; that, however, is now seen as unlikely by investors, who marked down the shares of some of Somprasong's main creditors in Thailand, as well as stock in other property developers.

Somprasong's difficulties have been known for months, and the price of the bonds has been marked down almost tenfold. Thai creditors of the company include National Finance & Securities, Dhana Siam, Nava Finance & Securities, Krung Thai Bank, Finance One and Siam City Bank. Shares in nearly all of these companies fell yesterday, although the exact amount owed to each of them is unknown.

Somprasong said recently it had assets worth Bt9.3bn ($364.4m) and liabilities of Bt5.9bn and was therefore able to continue business operations. Brokers estimate that nearly three-quarters of the company's assets are in inventories of land and completed and unfinished property developments. Creditors have also argued that most of their loans to Somprasong are backed by collateral, but Mr Som Jatusipitak, Siam City Bank president, said the actual value of the land was less than outstanding loans.

Somprasong recently attempted to raise liquidity by offering to sell about 50 per cent of its land bank for Bt2bn. Such a sale, as well as discussions with HKR International of Hong Kong and Lam Sun Properties of Singapore to take a capital stake in the company, have been unsuccessful.

The warrant for Mr Prasong's arrest was issued after a complaint was filed by a Somprasong shareholder, who alleged that the company had falsified its earnings from several property projects. When police arrived at Somprasong headquarters, they found documents being destroyed, witnesses said. If found guilty, Mr Prasong faces up to 10 years in jail. *Ted Bardacke, Bangkok*

San Miguel studies HK plan

San Miguel, the Philippines brewery which is one of Asia's largest producers, is considering the privatisation of its listed Hong Kong subsidiary, San Miguel Brewery. Hong Kong said it had been approached by Neptunia Corporation, its controlling shareholder and a wholly-owned subsidiary of San Miguel Corporation, about buying in all the stock and taking it off the market.

Neptunia envisaged an indicative price of HK$3.75 a share in San Miguel Brewery Hong Kong. This compares with a price of HK$3.675 at the close on Monday, before the shares' suspension on the Hong Kong market yesterday morning. Neptunia holds about 64 per cent of the shares in the Hong Kong arm of the brewer. *John Ridding, Hong Kong*

Bombay SE clear to expand

The Bombay Stock Exchange, the oldest share market in India, has been given conditional approval to expand around the country. The approval, by market regulator the Securities and Exchange Board of India, will allow the BSE to take on its rival, the National Stock Exchange.

In the two years since its formation, the NSE has grown rapidly and now outstrips BSE in trading volumes. The NSE also has put pressure on the older stock market to modernise and reform. *Tony Tassell, Bombay*

BHP cuts 250 steel jobs

Broken Hill Proprietary, the Australian resources group, is to shed 250 jobs at its Whyalla steelworks in South Australia. The company said the job losses were part of its plan to improve "business performance" at the South Australian unit.

The Whyalla plant employs about 2,300. The redundancies come as BHP, Australia's biggest company, is restructuring its struggling steel division. *Nikki Tait, Sydney*

Memtec shares up on bid news

Shares in Memtec, the Australian filtration company, jumped A$3 – or more than 8 per cent – to A$38 yesterday, after news that its bid for the US-based Gelman group had fallen through.

Memtec made a US$300m share exchange offer for Michigan-based Gelman earlier this year, in a friendly deal which was thought at the time to be generously priced. However, last month Memtec warned that a rival suitor, Pall, was also talking to Gelman and that its own bid might be jeopardised. Overnight, Pall and Gelman announced they had agreed merger terms, prompting Memtec to rule out any increase in its own offer.

Yesterday's share price rise seemed to reflect speculation that Memtec itself could now be vulnerable to a bid. *Nikki Tait*

Bre-X moves to end Indonesian uncertainty

By Bernard Simon in Toronto

A company controlled by a son of Indonesia's President Suharto will receive consultancy fees totalling US$40m and a 10 per cent stake in a rich gold property in return for helping a small Canadian exploration company bring the deposit to production.

Bre-X Minerals said it had concluded the deal with PT Panutan Duta, part of a diversified industrial and resources group controlled by Mr Sigit Harjojudanto, President Suharto's oldest son.

Calgary-based Bre-X controls the Busang property in east Kalimantan, which is widely believed to be one of the world's richest gold deposits. Reserves are currently estimated at 47m ounces, but analysts expect the final figure to be much higher.

However, Bre-X has recently encountered a number of hurdles, including delays in receiving a government "contract of work" to build a mine at Busang. It has also faced claims from minority Indonesian partners for a bigger slice of the project.

The uncertainty pushed Bre-X's shares, which are listed in Toronto, down by about a quarter in recent weeks. The shares had previously rocketed from under C$2 in early 1995 to a peak of C$24.65, after a 10-for-one share split.

The shares have jumped by about 16 per cent since the deal with Panutan was announced late on Monday. They were trading at C$24.20 at midday yesterday.

Bre-X said it retained Panutan as a "consultant to assist in administrative, technical and other support matters in Indonesia." Panutan will receive a fee of $1m a month for 40 months.

The Canadians will advance funds to enable Panutan to acquire the interests of the existing dissatisfied Indonesian partners. The funds will be recovered from the mine's cash flow. Bre-X and Panutan also plan to set up a jointly-owned venture to supply utilities, fuel and limestone to the project.

The deal is conditional on Bre-X obtaining "contracts of work" from the government for two phases of the Busang project.

Bre-X said it was "delighted to have formed an alliance with a strong Indonesian partner". It did not mention that Mr Sigit is President Suharto's son.

Officials at other Canadian mining companies described the deal as a necessary cost of doing business in countries like Indonesia. But one said that "it raises all kinds of moral questions. There are not too many 50m-ounce deposits around." Bre-X is currently seeking a partner, probably a large international mining group with the expertise and financial resources to help develop the deposit.

Margins squeezed at Banamex

By Leslie Crawford in Mexico City

Greater competition for depositors and falling rates for borrowers squeezed interest income and margins at Banamex, Mexico's largest bank.

Nevertheless, the bank recorded a net profit of 601m pesos ($76.2m) in the third quarter of 1996, 13 per cent higher than a year ago. That was mostly thanks to a large tax credit. The group recorded a pre-tax loss of 160m pesos.

Interest income fell from 10.56bn pesos in third quarter of 1995 to 9.20bn pesos, while the net yield on earning assets – such as loans and equities – fell from 5.1 per cent to 4.4 per cent. The average return on assets was 1.1 per cent, unchanged from a year ago.

The contraction in interest margins is even sharper when compared to the 6.7 per cent yield achieved in the second quarter of 1996.

Banamex said the lower yields were the result of its increased share of government securities – received in exchange for the sale late last year of 15bn pesos of bad loans to the government – and lower share of loans in its total earning assets. It said it had also seen an increase in real interest rates on its liabilities.

Mr José García-Cantera, Latin America banking analyst at Salomon Brothers in New York, said the results could signal the beginning of a worrying trend for Banamex, which is having to reward depositors with higher returns in the face of strong competition.

"Competition will become stronger from now on," Mr Garcia-Cantera said. Serfin, Mexico's third-largest bank, also reported narrower margins in the third quarter.

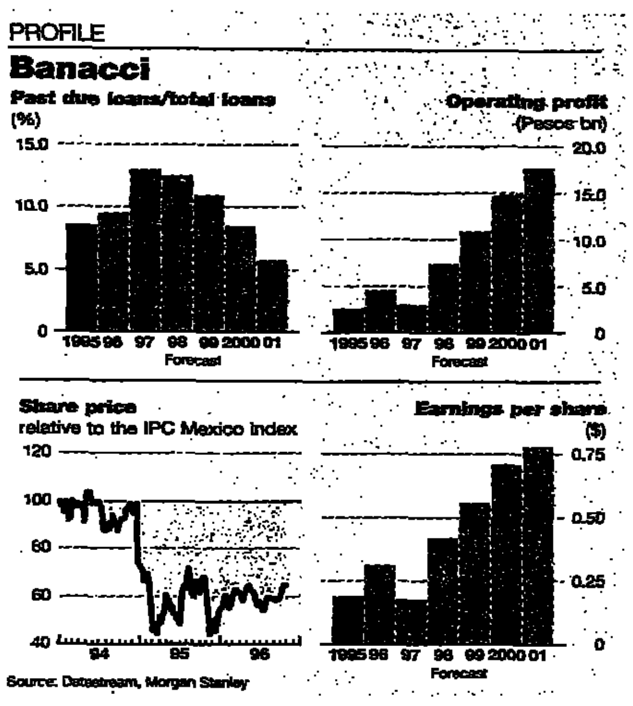
Banamex continued to provision heavily against loan losses, setting aside 1.66bn pesos in the third quarter, an amount equal to 76 per cent of its net interest income. Banamex said growth of past-due loans had slowed to 4 per cent in the third quarter, against 5 per cent in second quarter of 1996 and 17.8 per cent a year ago. The bank's provisions now cover 84 per cent of past-due loans.

Higher provisioning led to a pre-tax loss of 160m pesos, compared with a profit of 1.27bn pesos in the third quarter of 1995. For the year to September, however, pretax profit totalled 1.21bn pesos, against a 2.23bn peso profit in the first nine months of 1995.

Grupo Financiero Banamex-Accival, the financial group which owns Banamex, recorded an operating profit of 1.22bn pesos in the third quarter of 1996, an increase of 72 per cent on the year-earlier period.

PROFILE

Banacci



Source: Datastream, Morgan Stanley

Compaq targets workstations

By Louise Kehoe in San Francisco

Compaq Computer, the world's leading personal computer manufacturer, yesterday launched an aggressive attack on the market for technical computer workstations with the introduction of high-powered machines that undercut prevailing prices.

"We expect to become the workstation market leader," said Mr John Rose, senior vice-president of Compaq's enterprise computing group. The company will initially target three segments of the market – mechanical design, financial modelling and advanced graphics applications, such as special effects for the film industry.

Compaq's move into the market for workstations reflects its ambitions to become one of the world's top three computer companies by 2000.

But Compaq faces entrenched competitors in the workstation market, notably Sun Microsystems, the market leader, as well as Hewlett-Packard, Digital Equipment, International Business Machines and Silicon Graphics.

All of these companies offer workstations built using proprietary Risc (reduced instruction set computing) microprocessors and various versions of the Unix operating system.

In contrast, Compaq's new workstations run on Intel's latest Pentium Pro microprocessors and Microsoft's Windows NT operating system, bringing the "Wintel" combination of hardware and software into the workstation arena.

Compaq's products will accelerate a technology shift in the workstation market, industry analysts said. "Windows NT workstations will outship Unix workstations in 1997," said Mr Tom Copeland, director of workstation research at IDC, a market research group.

Already, some Unix workstation manufacturers are hedging their bets. Hewlett-Packard and Digital Equipment, for example, now offer Windows NT workstations as well as Unix models. Moreover, other PC manufacturers are expected to follow Compaq's lead into the Windows NT workstation arena.

Compaq's workstation prices are also expected to cause a stir. With prices ranging from $4,300 to $10,200, Compaq claims to have undercut Sun's prices by up to 75 per cent.

However, Mr Scott McNealy, Sun chairman and chief executive, was derisory in his response. "Price is not everything in the workstation market," he said. "You don't go to your best, highly-paid engineer and say 'Hey, have I got a cheap workstation for you! Try this toy'. This is a very different market than Compaq is used to."

INTERNATIONAL NEWS DIGEST

Elan income at $28.5m in quarter

Elan Corporation, the Irish-based drug delivery company, said that net income for the three months to end September was $28.5m before a one-time charge. A charge of $484.8m arose from the acquisition of Athena Neurosciences and largely represents the value of the acquired "in-process research" in Athena which has been written off in the income statement, Elan said.

The pharmaceutical group, which reported unchanged earnings per share of 29 cents, said the one-time charge included a provision of $30m for the integration, rationalisation and repositioning of certain Elan businesses including the disposal of non-strategic interests.

"At the same time, a process of review and re-focusing of the drug delivery business is in progress to maximise the opportunities for our drug delivery technologies and to ensure that our manufacturing facilities operate at maximum efficiency," Mr Donal Geaney, president, said.

Elan reported an increase of 70 per cent in total revenues for the quarter to $83.3m compared to the same quarter in 1995 but the underlying revenue growth rate, excluding the revenue contribution from Athena, was 36 per cent, it said.

Revenue from product sales rose 78 per cent for the quarter, largely reflecting the launch of the drug Naprelan and the inclusion of Athena revenues for the first time, it said. *Reuter, Dublin*

AOL to take $406m charges

America Online, responding to challenges posed by the Internet, said it was taking $460m in charges this year as it restructures its operations and revises pricing plans to make it more competitive. AOL, the world's leading provider of computer online services, said it would separate into three operating units and begin offering a number of new pricing options, including a flat monthly rate of $19.95 for unlimited access. AOL's stock, which recently moved to the New York Stock Exchange from the Nasdaq market, jumped $1.375 to $26 in early trading.

The company said it was taking a $385m charge in its fiscal first quarter, which ended September 30, to account for deferred subscriber acquisition costs, an accounting method for which it has been criticised. It also plans to take a one-time charge of up to $75m in the current quarter for costs it expects to incur as it reorganizes. *Reuter, New York*

CANTV registers with NYSE

The US Securities and Exchange Commission authorised the Venezuelan telecoms company, Compania Anónima Nacional Teléfonos de Venezuela (CANTV) to register its shares with the New York Stock Exchange as part of a global offering of a 40 per cent stake in the company, due in late November. CANTV reported a net profit of Bs31.255bn ($66.5m) on total revenues of Bs255.8bn for the first half of 1996, a 58.3 per cent drop in profits from the same period last year. *Raymond Colitt, Caracas*

Modelo profit down 8%

Modelo, the Mexican brewer and bottler, reported net profit in the first nine months of 1996 totalling 836.3m pesos ($106m), down 8.6 per cent from 914.8m pesos in the same period in 1995. Sales fell 2.6 per cent to 8.5bn pesos. Operating profit fell from 1.9bn pesos to 1.8bn pesos. *AP-DJ, Mexico City*

Sun Micro unveils its 'JavaStation'

By Louise Kehoe in San Francisco

Sun Microsystems yesterday unveiled its much-anticipated "JavaStation" network computer – and responded in scathing terms to a competing initiative announced by Microsoft and Intel on Monday.

Mr Scott McNealy, Sun chairman and chief executive, announced that the JavaStation "thin client" computer would sell for $742, with shipments scheduled to begin in December.

A version including a colour monitor will sell for $995.

Mr McNealy said that JavaStations would significantly reduce the complexities and costs of running a corporate network of desktop computers.

Scott McNealy: NetPC a fat client in corsets'

Similar claims, however, are being made by Microsoft and Intel for their "NetPC", which is a simplified version of the traditional PC.

Unlike Network Computers, the NetPC will use Microsoft's Windows operating system as well as Intel chips. The companies promised technology advances to reduce administration costs.

The NetPC will "absolutely not" be less expensive to administer than a traditional PC, Mr McNealy responded. "You cannot have zero administration costs – which is what we are aiming at – on a Windows PC."

"Rather than stealing our thunder, they have amplified our thunder," Mr McNealy added.

He referred to the NetPC as a "fat client in corsets" – a PC that is being squeezed to resemble a slimmer network computer.

The NetPC initiative has been pulled together hastily over the past two weeks in response to Sun's anticipated announcement, according to one of the participants.

Nonetheless, it has gained the support of several leading PC manufacturers.

Notably absent from the list of NetPC supporters, however, is IBM, which has already announced its own network computer, called the IBM Network Station.

Oracle, which sparked off the industry-wide activity by promoting the concept of a low-cost network computer over the past year, is expected to demonstrate a new prototype version later this week.

Like the NetPC, it will be based on an Intel microprocessor chip but, in contrast, will run Netscape software and Java applications.

Thin clients and fat servers, Page 19

US insurers look for lifeline

Competition from banks and mutual fund groups is increasing

US insurance companies look likely to tap the market for new capital as they face new competition from banks and mutual fund companies in their life assurance operations.

Yesterday, Chubb, the insurance company, announced that it had retained Goldman Sachs, the US investment bank, to assist with a strategic review of its life assurance companies "including the possible sale or spin-off of the business". It is also considering selling its real estate company.

According to Mr Mark Puccia, an analyst at Moody's Investor Services, the credit rating agency, "there are a large number of companies who are looking at life company spin-offs to grow capital."

Companies with life operations in fast growing sectors, such as annuities, had to provide sufficient capital to compete in a market where volumes were more important. Mr Puccia says.

Mr Dean O'Hare, chairman of Chubb, which specialises in property and casualty insurance, suggested to journalists and analysts last week that Chubb Life's disappointing performance was due to scale: "Chubb Life is a mid-sized player in a field of giants. I expected more success in getting our new products ready to be sold and achieving these sales."

Earlier this week, Nationwide Insurance Enterprise, a mutual company and the fourth-largest property and casualty provider in the US, refused to deny reports that it was considering a flotation of its fast-growing life company, although it said it was not actively considering it.

Mr Lawrence Mayewski, analyst at A.M. Best, another rating agency, says such a move would not be surprising because "in the long term, the property and casualty company would have to fund a significant portion of the life company's growth".

He suggests that the growth in the popularity of variable annuities – in which pensioners are not guaranteed a fixed sum but receive payments which fluctuate with the market – had put more pressure on life assurers to build sales volume.

Though such products require less underwriting capital, profit margins are lower, so providers need high sales volumes to make the business economically viable.

This favours the large mutual fund companies, such as Fidelity Investments, which already have sizeable distribution channels.

According to the Investment Company Institute, the trade association for mutual funds, 10 per cent of all mutual fund sales are now linked to variable annuities.

It is difficult for small and medium-sized life companies to invest in the distribution channels needed to compete in this market without significant extra capital, or growth through acquisition.

Mr Mayewski also suggests that regulatory changes to banking could add to the pressures on life companies to consolidate, as the tight rules which have barred banks from selling insurance since the 1930s are now slowly being lifted.

"Unless they are in a niche marketplace with a defensible position, life companies today are competing in a broad-based financial services marketplace against mutual funds and banks, and they need capital flexibility."

John Authers

M Clark outlines plan to regain sales

By Roderick Oram, Consumer Industries Editor

Matthew Clark, the cider producer which has seen its share price halved in the past six weeks, received a cautious investor response yesterday to its outline plans for regaining sales lost to alcopops.

Its shares closed up 17½p at 317½p as it said it would maintain its interim dividend but the news was overshadowed by the death of Mr Michael Cottrell, its chairman, who died in his sleep Monday night after finalising the recovery strategy.

Mr Cottrell, 57, was widely respected in the drinks industry. He had spent 22 years at Courage, the brewer, where he was managing director until 1982.

It is Mr Peter Aikens, chief executive, however, who is the focus of investor unhappiness and on whose shoulders the company's recovery rests, analysts and investors said. Briefly a stock market star for its aggressive acquisitions under Mr Aikens of Taunton Cider and other companies, Matthew Clark shocked investors at its annual meeting last month by saying that Diamond White cider and other key brands had suddenly lost sales to alcopops.

Blame appears to lie with Mr Aikens' cost cutting strategies which denuded the group of marketing expertise and budgets, the City believes. Bulmer, the leading cider producer and a heavy advertiser of its brands, has suffered less from alcopops.

The company said Mr Aikens would remain chief executive but take direct charge of its branded drinks division which is the bulk of its business. Mr Andrew Nash, the division's managing director is leaving.

The company is seeking a senior marketing director to join the board and it is increasing the sales and marketing staff for branded drinks from 170 to 210.

Results of an extensive review of marketing strategy will be unveiled with interim results in January. Meanwhile, it was too early to say more about what went wrong with its premium ciders and how sales would be rebuilt, the company said.

"Their marketing spend is about £20m a year behind Bulmer's," one analyst said. "If they increase it, does that mean profits have to fall another £20m?" The City is already expecting pre-tax profits to drop by about £20m this year to £48m.

Howden wins Chinese deal

Howden Group, the Scottish industrial equipment manufacturer, is today expected to announce its largest order in more than 10 years for tunnel boring machines, writes Tim Burt.

The group, a leading international supplier of tunnelling products, has won a $60m contract to supply two boring machines for the Qinling mountain tunnel – the longest in China.

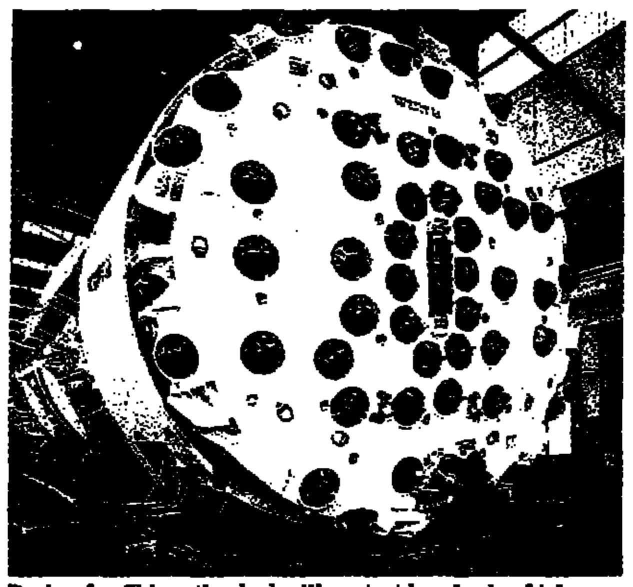
The shares improved 1½p yesterday to 77p.

Howden said the order would protect hundreds of jobs at its Wirth plant near Düsseldorf, where the machines will be made.

Mr Johnny Johnsen, chief executive, predicted the group would make a "reasonable profit" on the deal, which was signed in Beijing last week following several months of talks with China's National Technology Import and Export Corporation.

He also vowed there would be no repeat of the disputes that dogged Howden's contract for Denmark's Great Belt Waterway tunnel in the early 1990s, and which forced the group to take large exceptional provisions.

The machines are scheduled for delivery next year.



Boring for China: the deal will protect hundreds of jobs

Bock calls time on Rowland's empire

Ross Tieman on the dismantling of Lonrho

It has taken Mr Dieter Bock three years to take apart the empire which Mr Tiny Rowland spent his lifetime assembling.

By next spring, if all goes to plan, Lonrho's hotels will have been sold, its African trading businesses demerged, and the remaining mining interests will be under the wing of Anglo American, the South African mining colossus.

A German property dealer, scarcely known in the UK, Mr Bock originally first came to Britain looking for property assets. But in late 1992, he was introduced to Mr Rowland, then chief executive of Lonrho

Mr Rowland, who was looking for successor in his own image, was persuaded to sell Mr Bock half his 15 per cent stake in the business in December that year.

A few months later, in February 1993, Mr Bock underwrote a rights issue to help the cash-starved group rebuild its balance sheet, taking his own stake to just over 18 per cent.

But their collaboration as joint chief executives quickly turned to acrimony. After a series of battles, Mr Rowland was finally ousted in the spring of 1995, allowing Mr Bock to draw up plans to break up the group and release the value.

This spring, impatient at the slow progress being made by Lonrho's advisers, Deutsche Morgan Grenfell, Mr Bock hired SBC Warburg to help in the planning.

The first firm step came in March, when he bought 5.85 per cent, most of Mr Rowland's remaining interest, and sold the shares on to Anglo American, South Africa's biggest company. Within a month, he had arranged a two-way option, giving Anglo the right to buy his own 18.3 per cent at 220p, and Mr Bock the right to put his shares to Anglo at 180p. That is the option he exercised yesterday.

By June, the rest of the strategy was clear. Mr Bock's most pressing problem was the need to raise £500m ($780m) to clear Lonrho's borrowings. Interest payments were swallowing most of the profits, leaving the company continually short of cash.

His solution: sell Lonrho's five Metropole hotels in Britain, and the ten Princess resort hotels in the Caribbean, Mexico and the US.

To clear the ground, he bought back for £251m the 33 per cent stake in Metropole sold by Mr Rowland to the Libyan Foreign Investment Company for £177m in 1992.

The two hotel chains are now set to be sold separately, within a fortnight, to realise more than £650m. Stakis is expected to buy Metropole, while Prince al-Waleed, the Saudi investor, is expected to acquire the Princess chain. It is clear that Anglo has already given approval to this deal, as it has to the demerger of Lonrho's African trading interests that will follow.

Now scheduled for early next year, this will involve the flotation of Lonrho's portfolio of non-mining assets, ranging from the Dutton Forshaw motor distributor in the UK to sugar plantations in South Africa.

Anglo is expected to sell its interest in the African trading business, or its rights, to Mr Bock. The Lonrho name, strong in Africa, will probably be transferred to the trading business, and Mr Bock will become chief executive.

The on-going mining business, with interests in platinum production and a 33 per cent share in Ghana's Ashanti gold mine, the most profitable on the African continent, will then fall under the sway of Anglo American, previously its chief rival. Mr Rowland will remain on the Ashanti board. The assets will remain, but the empire will be no more.

MG sells British Biotech shares

By Daniel Green

Morgan Grenfell yesterday sold 22.1m British Biotech shares from funds formerly managed by Mr Peter Young, its disgraced ex-fund manager.

The shares, sold at 210p to Morgan Stanley, were placed at 213p. They dropped 20p to 220½p yesterday, but remain about 5 per cent higher than last week.

Morgan Grenfell said the sale would "realign" the portfolios in the two Morgan Grenfell Asset Management funds formerly managed by Mr Young that were suspended last month after irregularities were discovered.

About half the British Biotech shares held in the funds were sold, and Morgan Grenfell said a "substantial" profit had been made.

Morgan Grenfell said its fund manager was now happy with the balance of investments in the funds, and no further large sales were planned.

Other Morgan Grenfell funds did not sell British Biotech yesterday, and the investment house, a subsidiary of Deutsche Bank, still controls more than 30m shares.

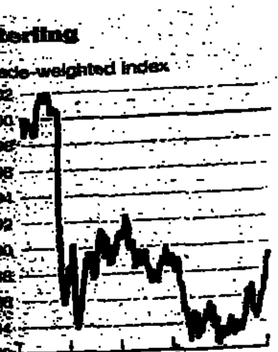
In September, Morgan Grenfell said it held 71.5m shares, representing 10.94 per cent of the company's equity. British Biotech shares have been among the most volatile in the market: a year ago they were trading at below 100p, and at one point in May rose to well over 300p.

The recent rise in the share price has partly been in anticipation of a series of announcements expected on Sunday and Monday at a European cancer conference in Vienna. The company is expected to report progress with its most important drug, marimastat, whose effectiveness is being tested in many different cancers.

LEX COMMENT

UK economy

When Mr Kenneth Clarke, the chancellor, and Mr Eddie George, governor of the Bank of England, get together for their monthly chat this morning, the conversation is likely to be depressingly familiar. The governor, doubtless, will make a persuasive case for raising interest rates. And there is copious evidence in his favour. Consumer credit is booming; so, still, is monetary growth. Moreover, Friday's strong output data should assuage lingering concerns about the state of manufacturing. In response the chancellor has one real counter-argument: sterling, whose trade-weighted value has risen by 5.8 per cent since the beginning of August. According to the Treasury's hackneyed rule of thumb, this should have had roughly the same tightening effect on the economy as a 1½ per cent rise in interest rates.



Source: Datastream

Nonetheless, this is dangerous logic. For a start, sterling's strength partly reflects such impermanent phenomena as sky-high oil prices. Ironically, it also reflects hopes of UK rate rises. If these fail to materialise, sterling's gains could very easily go into reverse.

Of course, none of these arguments is likely to weigh as heavily on Mr Clarke's mind as electoral politics. Yet the politics do not all point one way. After all, a rate rise now would be less painful for the Conservative party than one closer to the election. It could also – irrationally – make the markets much more tolerant of a really aggressive tax-cutting budget. Mr Clarke could surprise us all yet.

Zeneca sales advance 14%

By Daniel Green

Zeneca, the UK's third biggest pharmaceuticals company, yesterday confirmed its place as one of the fastest growing businesses in its sector by revealing nine-month sales up 14 per cent to £4.1bn ($6.39bn).

Pharmaceuticals sales rose 14 per cent to £1.8bn, and agrochemical sales, excluding seeds, rose to £1.4bn, up 14 per cent; however, it was an 11 per cent increase in local currencies.

Seeds sales rose 21 per cent to £117m (18 per cent in local currencies), while specialities sales rose 10 per cent to £802m (9 per cent in local currencies).

No profit figures for the period to September 30 were given.

"Good volume growth [in pharmaceuticals] has been achieved following several new product launches, but pricing pressures continue, particularly in Japan and some European markets," Zeneca said. It added it expected full-year sales growth for the division to be broadly in line with its current performance.

The total sales figure excludes Zeneca's partly-owned US company Salick Health Care, a cancer clinic operator, which is still preparing results.

CalEnergy raises UK stake

By Simon Holberton and Chris Tighe

CalEnergy, the US independent power producer which launched a hostile $1.3bn offer for Northern Electric on Monday, yesterday increased its stake in the target to 13.5 per cent, as Northern's share price weakened.

Northern's shares fell at one point to 630p, the level of CalEnergy's offer, which enabled the predator to enter the market under takeover code rules, where it bought a further 800,000 shares, taking its total to 13.68m.

Northern closed down 8½p at 639½p.

Meanwhile, CalEnergy's non-investment grade credit rating emerged as an issue that Offer, the electricity industry regulator, is likely to consider when examining its suitability for a supply licence. Offer and the secretary of state for trade and industry have a duty to ensure that licence holders are financially sound.

Mr Richard Fletcher, a vice-president at Moody's Investor Services, the US ratings agency, said the regulator would need to interpret whether this meant the owner of an electricity company should be of investment grade. "Northern is the first rec to be subject to a bid by a junk-rated company," he added.

Moody's has put both CalEnergy and Northern on credit watch. CalEnergy's senior unsecured debt is rated Ba2, and its subordinate debt is rated Ba3.

Offer issued a consultation paper on the bid yesterday, and called for responses by 7 November.

Mr David Sokol, chairman and chief executive of CalEnergy, rejected suggestions that the credit rating was a limiting factor in the bid. He said the ratings agencies failed to understand the company's conservative financial structure. All the projects it was involved with were financed on a non-recourse basis. Some of these were rated BBB and BBB+, he said.

Mr Sokol also pointed out that Peter Kiewit Sons' Inc, CalEnergy's partner in the bid, was financially solid.

The corporate vehicle for the Northern bid is CE Electric UK, owned 70 per cent by CalEnergy and 30 per cent by Kiewit. CalEnergy's gearing after the takeover would be between 80-100 per cent.

Mr Sokol added that his company would be "happy to sit down, at their [Northern's] request, and turn this into a recommended deal. We'd be happy to look at any new information" which might alter the 630p valuation.

Mr David Morris, Northern's chairman, was yesterday in discussion with Schroders, the company's financial adviser, and Ernst and Young, its accountants, about bringing forward Northern's interim results, and how it might secure a higher price from CalEnergy.

One Northern adviser noted: "At the end of the day if CalEnergy puts enough money on the table Northern will recommend it, but at 630p they will fight it."

Northern's trade unions yesterday attacked the way its directors had handled the initial talks with CalEnergy.

Danka fails to meet expectations

By Motoko Rich

Shares in Danka Business Systems, the acquisitive office equipment supplier, fell 27½p to 585p yesterday as profits failed to meet market expectations for the second successive quarter.

The group, which expects to complete a £438m ($683m) acquisition of the photocopier distribution business of Eastman Kodak by December, revealed pre-tax profits of £16.8m in the three months to September 30. This was a 17 per cent increase on last year, but fell below the £17.5m struck in the first quarter. Sales rose 56 per cent to £270.7m.

Mr Paul Dumond, company secretary, said the group was still feeling the effects of increased costs of a sales recruitment drive in the US. Productivity levels had dropped as some staff were promoted to non-sales roles and the combination of new sales personnel and inexperienced managers lowered output. Profits were also restrained by a move to centralised regional units.

The Office of Fair Trading yesterday said it would consider whether the takeover required an investigation by the department of trade or a referral to the Monopolies and Mergers Commission. It said a referral was unlikely.

Premier confirms Thailand gas deal

By Robert Corzine

Premier Oil, the independent UK explorer, yesterday confirmed that an agreement had been reached on the sale of gas to Thailand from the Yetagun gas field in Burma.

Premier is developing the field with Texaco of the US and Nippon Oil of Japan.

The agreement was initialled yesterday in Bangkok along with a memorandum of understanding, ending 18 months of negotiations.

But the sales agreement will still have to be ratified by the Thai parliament after its forthcoming elections.

Under the terms of the gas supply agreement, commercial production will start in 1999 at a minimum initial rate of 200m cu ft a day for 15 years, together with some 7,000 barrels a day of associated condensate, a natural gasoline.

Mr Charles Jamieson, Premier's chief executive, said the conclusion of the negotiations will allow further exploration work to be carried out.

Meanwhile, Premier has until Monday to decide whether to extend or modify its bid for Discovery Petroleum, an independent Australian explorer which has rejected Premier's 70 cents a share offer.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Chesterfield Props	6 mths to June 30	19.3	(17.8)	4.72♥	(3.72)	11.57	(8.78)	4.4	Dec 31	4.4	-	13.4
Danka Business	6 mths to Sept 30	534.4	(329.9)	34.2	(27)	10.9†	(9.8)	1.3	Jan 22	1.8	-	2.16
Huntingdon Intl	9 mths to Sept 30	55.2	(51.1)	4.85	(26.5L♠)	3.4†	(27L)	-	-	-	-	nil
Northumbrian Foods	6 mths to Sept 30	14.6	(13.5)	0.409	(0.371)	0.67	(0.6)	0.05	Dec 17	nil	-	0.1
Penna Holdings	6 mths to Sept 30	7.6	(6.8)	0.655L♠	(0.351)	16.5L	(3)	1	Dec 2	1	-	2
Pressac	Yr to July 31	68.9	(57.3)	6.45	(4.61)	11.3†	(9.01)	2.9†	Dec 13	2.6	3.9	3.5
Thames Water	6 mths to Sept 30	621.5	(599.4)	176♠	(165.4)	37.9‡	(38.3)	11.2	Feb 4	9.2	-	28.3

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust High Inc	Yr to Sept 30	74.51†	(81.52)	3.46	(2)	7.21†	(8.55)	1.65	Nov 29	1.6	6.45	6.2
Flem Claverhouse	3 mths to Sept 30★	-	(-)	-	(-)	-	(-)	1.45	Dec 2	1.45	-	6.1
Fleming High Inc	3 mths to Oct 31☆	-	(-)	-	(-)	-	(-)	1.2	Nov 12	1.15	-	4.65

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♥After exceptional charge. ♠After exceptional credit. †On increased capital. ‡‡‡On reduced capital. ★Third interim: makes 4.35p to date. ☆Second interim: makes 2.4p to date.

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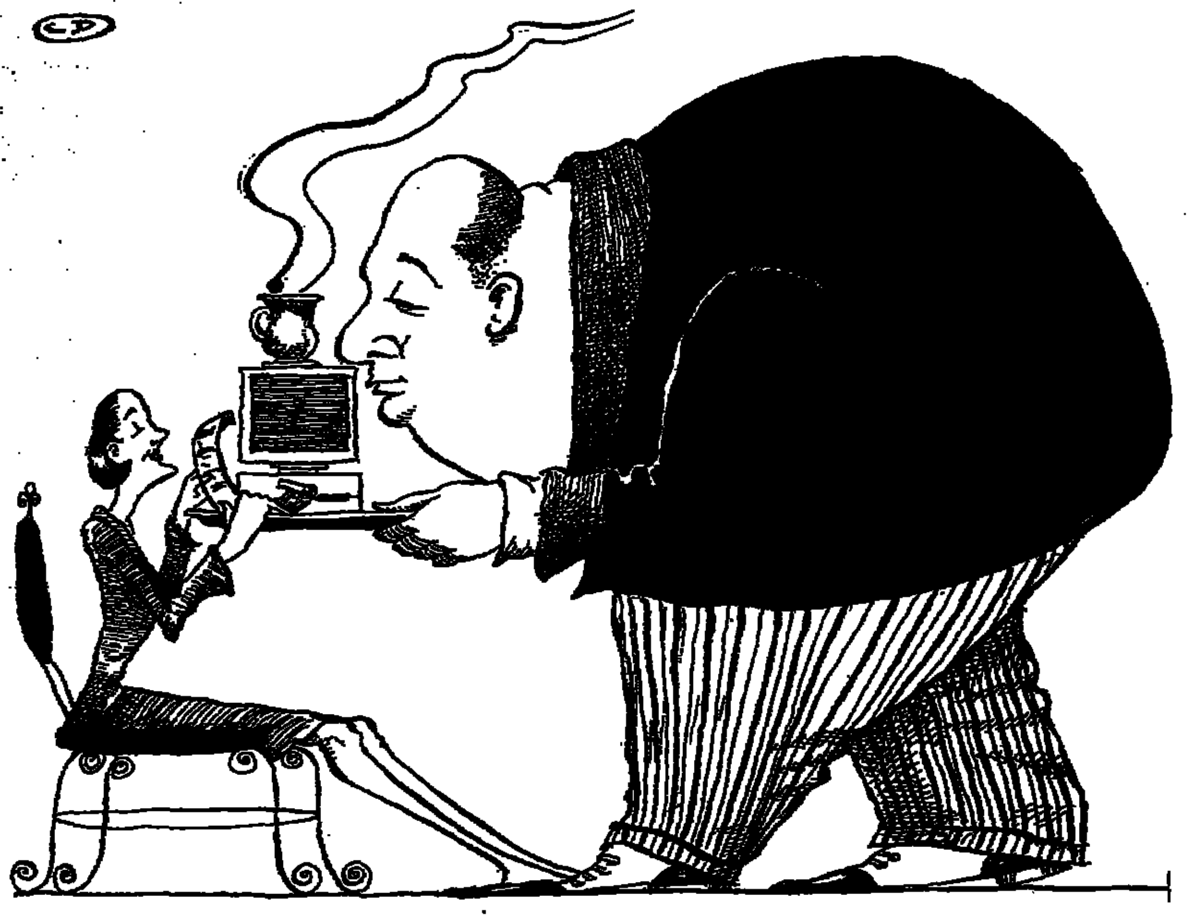
INFORMATION TECHNOLOGY

Using the Internet · Louise Kehoe

Thin clients and fat servers

A look at JavaStation, Sun Microsystems' new low-cost desktop computer



When computer industry executives start talking about a "paradigm shift" in information technology, it is usually time for corporate computer buyers to hold on to their wallets.

The launch of Sun Microsystems' JavaStations may be an exception. The company, a leader in high-powered computer workstations and in network servers, yesterday unveiled a new generation of low-cost desktop computers which, it claimed, will significantly reduce the running costs of corporate computer networks.

JavaStations are Sun's version of the much-hyped Network Computer. But unlike the consumer-oriented prototypes demonstrated over the past year by Larry Ellison, chairman and chief executive of Oracle, the Sun machines are aimed squarely at business users.

"While it is fun to talk about Network Computers that can access the Internet, the real need is for products that can . . . do mission-critical work at a drastically reduced cost. That's what Java Computing is all about," says Ed Zander, president of Sun's computer division.

"We think we are on the brink of a new computing model that will be every bit as significant as the introduction of the PC in the late 1970s or the minicomputer in the late 1960s," he adds.

This new computing model can be described in simple terms: thin clients, fat servers and big pipes. The JavaStation is the thin client, or simplified desktop computer. It has no hard drive, no floppy drives and no CD-Rom and will sell for about $750 in the US.

Sun also introduced new versions of its "fat servers": powerful computers designed to host programs and data files for networks of JavaStations. High speed networks, the third essential element, are already in place in many offices.

The typical PC network, in contrast, comprises increasingly powerful desktop machines, with built-in programs and data storage disk drives, linked to "file servers" containing corporate databases. Another difference is the software. JavaStations are optimised to run programs written in Sun's Java programming language, although they can also run Windows programs through emulation.

Cynics might suggest that for Sun and Oracle the low-cost Network Computer creates opportunities to sell more of their core server and server software products. Yet Network Computers such as the JavaStation address a rising concern in many businesses about the high cost of supporting large networks of PCs. Recent studies by computer market research firms, including the Gartner Group of the US, have estimated the "total cost of ownership" of a PC linked to an office network at between $8,000 and $13,000 a year, depending on what they are used for.

These costs include depreciation, maintenance, support, training and the administration of upgrading software. Hidden costs in lost time and productivity can be as much as half of the total cost, according to the Gartner Group. These can include the time lost when highly paid professionals help colleagues fix computer problems, time wasted by people struggling to understand the complexities of a PC and the effects of viruses or other interruptions.

Over the typical three-year life span of an office PC, costs can mount to over $40,000. "It is like spending $200,000 on oil, petrol, insurance and maintenance for a $20,000 automobile," says Zander. In contrast, Sun's "conservative" estimate for the annual cost of running a JavaStation is $2,500. The Java computing model hands maintenance and administration functions back to computer professionals and eliminates many of the hidden costs.

Among companies that have tested "beta" models of the JavaStation, the cost of ownership has proved persuasive.

FTD, which operates a private computer network linking thousands of florists' shops around the US, ran its own tests. "The Gartner Group figures are dead on, with regard to the total cost of ownership of PCs and our estimates for the projected costs of NCs agree with Sun's," says Bill Phelan, FTD's vice president of technology. JavaStations are easier to maintain than PCs and provide more functionality than "dumb terminals", he adds. The group plans to install as many as 10,000 machines in members' stores, gradually expanding the functions beyond inter-city orders to include discussion groups, customer databases and credit card transaction processing.

British Telecom has been testing prototype JavaStations as a possible alternative to the PCs the telephone company currently places on the premises of large customers to enable them to order services and receive bills electronically. The cost of supporting these PCs is about $6,000-$8,000 a year, says Terry Carlin, head of Systems and Product Launch at BT Customer Service.

"We would expect to see support costs halved. These savings must be offset, however, against the overhead costs of network usage," he adds. So far, the balance is tipping in favour of the JavaStation.

Sun's competitors point out that there may be additional expenses involved in installing JavaStations. Sun's estimates are "highly suspect", according to Pat Gelsinger of Intel, the leading supplier of microprocessors to the PC industry. Installing a network of JavaStations will mean replacing servers, the network and training users – an "enormous investment", he predicts.

Another expense is the development of software. BT, for example, has rewritten its Service View software in Java.

JavaStations are initially expected to be used in situations where people currently use a PC for a relatively narrow range of functions such as order entry or hotel reservations.

First Union Bank, another beta tester, plans to add JavaStations in its capital markets operations for use by support personnel running custom, in-house developed applications. The addition of the Network Computers is "a natural evolution of our focus on network-centric computing", says Peter Kelly, senior vice president, capital markets technology and support.

Perhaps the most telling response to the JavaStation, however, has come from competitors. On Monday Microsoft, Intel and several leading PC manufacturers announced a competing initiative to develop "NetPCs" – simplified Windows/Intel computers for introduction in mid-1997. The initiative was thrown together over the past couple of weeks following a demonstration of the JavaStation, according to one insider.

"I guess we struck a nerve with Intel and Microsoft," says McNealy.

Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month

Watching brief

Transactions made safer

New "fast crypto" chips from Motorola promise a big improvement in the security of transactions on the Internet. The microchips, launched this week by the US electronics company, are designed for smartcards that companies such as Microsoft are promoting for online commerce.

Smartcards containing one of the new chips can be inserted into a reader in a personal computer, for instance, to enable information such as credit card details to be transmitted securely. The cards disguise the data using public-key cryptography, which is very hard to crack.

The fast crypto chips, which Motorola claims can encrypt information at 200 times the speed of conventional smartcard devices, can use longer keys which Motorola says would take a supercomputer 50 years to unpick. France's Schlumberger, the leading smartcard manufacturer, has selected the Motorola microchips for an electronic payment system under development.

Motorola, UK: tel, (0)1355 565447; fax (0)1355 242743.

Offerings on the Net

The US Securities and Exchange Commission has signalled tacit acceptance for initial public offerings over the Internet. It has given de facto approval for a $5m (£3.2m) offering by Netter Digital Entertainment, a Hollywood production company, by issuing a "no action" letter. The first IPO on the Net, of Spring Street Brewery, raised $1.6m last year and this month launched a further $3.3m offering.

In an Internet IPO, the investor can view the prospectus on a personal computer screen and place an order electronically, thereby saving costs and making smaller offerings financially viable.

W.J. Gallagher, US: tel, 713 517 0874; fax, 713 517 0171; e-mail, http://www.zanax.com/iponet/

Snap happy on the Web

Live pictures draw attention to Web pages, but setting up a camera to take and view snaphots over a network can be cumbersome.

Axis Communications, a Swedish networking products company, has launched a colour digital camera designed to simplify connecting a camera to a network. The Axis NetEye 200 is self-contained, palm-sized and can be attached directly to a 10MB Ethernet network. It acts as a standalone Web server, allowing images to be seen with any standard Web browser, such as Netscape. Other applications for the Net Eye include network-connected security cameras and creating an Intranet photo library.

Axis Communications: Sweden, tel 46 2701800; fax 46 136130; e-mail Thomas.Pehrsson@axis.se

Watching Brief is compiled by Nicholas Denton: tel, (0)171 873 4357; fax, (0)171 873 4343; e-mail, Nick.Denton@FT.com.

SOFTWARE Challenge of translating the spoken word

Nation shall speak unto nation

A machine that can translate a complex conversation is usually seen as the stuff of fantasy. But a prototype of a pioneering speech translation system, unveiled in Germany last week, represents a step, albeit an early one, in that direction.

The Verbmobil system is designed to help Japanese and German managers who can understand a little English to agree on the time and place of a meeting. It can translate 2,500 German words and 400 Japanese words into English. It provides the "correct" translation in 75 per cent of cases.

That may seem a modest achievement. But it represents a significant advance in some of the most difficult aspects of independent speech recognition, language processing and synthesis.

"Verbmobil is, right now, the largest, most innovative speech-to-speech translation system there is in the world," says Reinhard Karger, the project manager.

Unlike conventional dictation systems or those that process written language, the Verbmobil system has to deal with the intermediate sounds of speech such as "ers and ums" or sneezing.

The system also has a speech-rhythm module that works out phrasing from breaks and intonation.

It can also distinguish the meaning of an ambiguous word from the emphasis in the sentence. For example, the German indefinite article can be translated as "a" or "one" in English. By analysing the stresses in the sentence, the system can work out the difference between, say, "to meet for one hour" and "to meet for an hour". Other ambiguities are handled by reference to the context of the speech.

The project, which has received DM64.9m (£28.20m) in sponsorship from the German government and DM31m from industry, has involved 150 researchers and engineers from 29 universities and companies in Germany, the US and Japan – including Alcatel, Daimler-Benz, IBM and Philips. The project is run by Professor Wolfgang Wahlster at the German Research Centre of Artificial Intelligence in Saarbrücken.

The system is composed of 24 communicating modules. The acoustic modules record and digitise the speech, while the recogniser modules use statistical language models, lexicons and key-word spotters.

The linguistic modules use complementary forms of analysis, known as deep and flat. The deep analysis searches for strings of words that are grammatically correct, and analyses their meaning by referring to a module containing a lexicon of phrases. The flat analysis deals with non-grammatical sentences by extracting words and phrases that appear relevant to the conversation.

The transfer module then translates the phrases into their structurally correct English equivalent, which is synthesised into speech.

The modules developed for the translation system can be used in other devices. For example, Mercedes-Benz has used the speech recognition technology in a device for car telephones that recognises phone numbers.

The next phase of the project aims to extend Verbmobil's vocabulary to 10,000 words and expand its scope to deal with travel planning as well as meetings. It will also be developed to translate into German and Japanese.

Researchers on the Verbmobil project are confident that it will lead to viable products. But the development of a machine that can handle a free-ranging conversation is not yet on the horizon.

Vanessa Houlder

IT in action · Andrew Baxter

deas for a etter Net

hat improvements would nternet users like to see to he network? Some clues merge from a report on nternet awareness, access nd usage.

The most common complaint concerns speed of ccess and downloading formation – nearly half of sample of UK users said ey would like to see the et made faster. Almost 30 r cent of the sample said ey would like to find information more easily, with tter search engines or re focused browsers, for ample.

1996 Internet Report. Continental Research. Fax (0)171 1174. £195 plus VAT.

alue for oney

w can you ensure your estment in IT is not sted?

A practical guide to help chief executives has been launched by an organisation whose members include companies such as Barclays Bank and Imperial Chemical Industries.

The forum claims that in spite of the UK's annual spend of £20bn on IT, 70 per cent of users believe they obtain little return on their investment.

* *Information for Profit: the CEO's Agenda for Action.* £17.50. IT Skills Forum, fax +44 181 840 1591, e-mail itsf@itsf.co.uk

Potential improvements to the Internet

	%*
Speed up access and downloading information	47
Make it easier to find information	26
Improve ease and success of accessing	12
Improve security of transmitting information	9
Make it more user-friendly	9
More censorship (eg of pornographic material)	8
Make it cheaper	8
Improve visual display	7
Exclude and reduce junk mail	4
Increase bandwidth	2
Keep it free from control and censorship	2
No improvements necessary	7

* Base 100. Respondents were asked what improvements they would like to see. Source: Continental Research.

Figuring finance out

Financial software is an increasingly important tool for accountants, but still frequently disappoints. A survey of 570 members of the UK's Chartered Institute of Management Accountants found 61 per cent believe core financial software does not readily provide information that supports management decision-making.

The need to integrate financial and non-financial information was viewed as particularly important by 85 per cent of the survey, according to a preliminary report.

Investment in software products to aid the financial reporting process was seen to be cost-effective by 79 per cent, but seen by 75 per cent as requiring a lot of attention.

Further information from Jyoti Bannerjee at Tate Bramald, tel +44 (0)181 332 6160, mobile 0973 323440.

Business & Environment

The weekly Business and the Environment Page will be relaunched in a new monthly format on Wednesday November 6.

Treasuries soar as wage inflation fears ease

GOVERNMENT BONDS

By Lisa Bransten in New York and Richard Adams in London

The US Treasury market came to the rescue of European bonds yesterday, as receding fears of inflation in the US pushed up bond prices on both sides of the Atlantic.

But continuing fears over the size and timing of European monetary union hurt the higher-yielding markets, but most were lifted above their close of the previous day by the US rally.

Ms Ros Lifton, a European analyst at HSBC Markets in London, described the day's rise in Treasuries and bunds as "a flight to quality".

■ Relief that wage inflation is low, in spite of growing signs of tightness in the US labour market, sent Treasuries soaring to levels not seen since early April.

Near midday, the benchmark 30-year Treasury was 1 3/32 stronger at 100 17/32 to yield 6.708 per cent, the lowest level since April 1.

At the short end, the two-year note jumped by 1/4 to 100 5/32, yielding 5.774 per cent. The December 30-year bond future rose by 1 15/32 to 112 2/32.

Strong performance at both ends of the maturity spectrum led the yield curve to hold relatively steady. In early trading the curve flattened by one basis point to 93 basis points.

Several economists said that the weaker-than-expected advance in the employment cost index suggested that the Federal Reserve would not have to raise interest rates to prevent the emergence of inflationary pressures.

The index rose 0.6 per cent in the third quarter, less than the 0.8 per cent rise economists had expected.

Also boosting the bond market yesterday was a sharp drop in consumer confidence which suggested that increased consumption would not exert an inflationary pull on the price of goods.

The Conference Board said that confidence slipped to 106.2 this month from 111.8 in September. Economists had forecast a modest gain in the index to 112.

Mr Joseph Liro of CIBC Wood Gundy said that given yesterday's positive economic data, the market was poised to break above its current trading range if today's figures on gross domestic product growth also suggest only sluggish economic growth.

But, he added that any such gains could leave the market vulnerable to a correction if Friday's figures on job creation in October show a rebound from September's decline.

■ The upwards move in the US market allowed bunds to recover from fears that the Bundesbank had firmly ruled out any further cuts in interest rates, and an economic institute report that interest rates should be raised if M3 does not meet the Bundesbank's targets.

At Liffe, the December bund futures contract settled at 99.54, up 0.10 from the previous day's price. The contract recovered from a low of 99.10 on the day.

In the cash market, the benchmark 10-year bund rose to 101.68, up 0.19 from Monday's close. The yield fell to 6.01 per cent, down 2 basis points.

Mr Craig Shute, a fixed income analyst at Bear Stearns in London, said he thought the Bundesbank's recent comments on interest rates were "testing the water."

He said he expected to see investors continuing to take profits from the long rally in European bonds.

Bunds had been dragged down early in the session after a forecast from Germany's six leading economic institutes that the country will have a government deficit of 3.5 per cent of GDP in 1997, higher than the 3 per cent criteria required by the Maastricht treaty's criteria for entry into European monetary union.

But Mr Shute said that bund futures were continuing to trade in a tight range between 99-100. "Until we see a break on the lower side, I'm not inclined to call [it]," he said.

■ The French market was forced into underperforming the US market, ending the session mostly lower, after reports that France will not be allowed to use proceeds from the planned privatisation of France Télécom for FFr37.5bn towards reducing its deficit.

French notional futures contracts settled at 126.30, slightly up from the previous price of 126.28.

But news of the report from the EU's financial accounting working party hit Italy hardest. On Liffe, December BTP futures fell heavily from a high of 123.45 to a low of 122.39. It recovered somewhat to settle at 122.77, 0.48 down from the previous close.

Italian cash bonds' yield over Germany fell away. The price of the benchmark 10-year BTP fell 27 points to 108.35.

The yield rose 4 basis points, with the yield spread over bunds rising from 227 basis points to 236.

CAPITAL MARKETS NEWS DIGEST

Mortgage-backed deal from BHN

Argentina's state-owned Banco Hipotecario Nacional this week sold $95m in mortgage-backed debt, primarily to international investors – marking the first such deal from an emerging market nation. BHN is building a pipeline of mortgages to be securitised and hopes to come to market with about $100m worth of debt every quarter.

Although such asset-backed transactions are the most common form of structured finance in the developed world, they are virtually unknown from countries, such as Argentina, that do not have an investment grade rating on their sovereign debt.

Duff & Phelps Credit Rating gave the two international tranches of the deal a BBB investment grade rating, largely because of an offshore reserve fund that could make up to two years of interest payments if the government were to institute exchange controls, or some other factor led to mass defaults. Also, the mortgages are guaranteed by the issuing banks and BHN has the right to debit issuer's central bank accounts to enforce the guarantees.

Several sources close to the transaction said the deal was four times oversubscribed. BHN is enthusiastic about the deal because it believes it will lead to considerably lower mortgage rates for Argentine borrowers. Mr Jeffrey Hoberman, an adviser to the board of BHN, said that liquidity provided by the deal has helped reduce seven-year, dollar-based Argentine mortgage rates to 11 per cent from about 13 per cent.

Two classes of senior debt, representing 85 per cent of the total offering, was sold to specialist investors in the US and Europe. The floating-rate tranche has an expected average life of 3.4 years and was priced at 185 basis points over Libor; the fixed-rate portion, with an average life of 1.6 years, carries a coupon of 7.36 per cent. Subordinated debt representing about 10 per cent of the deal was sold to Argentine pension funds, and BHN retained the lowest-ranking tranche. *Lisa Bransten, New York*

Bank prepares for strips

The Bank of England is preparing for next year's introduction of a market in strips – separate trading of registered interest and principal – by offering to convert a small pool of stock into a larger one. The Bank yesterday offered to convert the outstanding £1bn of double-dated 12 per cent Exchequer stock due 2013-17 into 8 per cent Treasury stock due 2015. The rate of conversion will be set by the Bank on a "clean price" basis – including accrued interest – on 12 November. *Richard Adams*

CORRECTION

HSBC Greenwell

HSBC Greenwell's 1994 losses in gilt edged market-making were £671,000. The figure reported in yesterday's Financial Times was incorrect.

Add-on from Spain troubles French franc sector

INTERNATIONAL BONDS

By Samer Iskandar and Stephen Fidler

Professionals in the primary bond markets had a difficult session yesterday – particularly in the French franc sector.

Spain added FFr3bn to the troubled 10-year eurobond it launched in July – making it the largest outstanding deal in the sector with a total amount of FFr9bn. Syndicate officials at other banks were surprised when Société Générale, the lead manager, invited them to participate in the latest launch because the first tranche went sour because of tight pricing. Banks had unanimously described the July transaction as the least successful deal of the year.

When Spain recently invited banks to bid for the new tranche, bankers were reported as saying that it could not "reasonably" be sold with a spread below 17 basis points over OATs. However, SocGen chose to price it at 13 basis points over the yield curve (10 points over the 10-year benchmark), although the paper was trading at around 16-17 points over OATs in the secondary market.

"We could not turn down a sovereign borrower such as Spain," said one syndicate manager in Paris. "Now we are only hoping not to lose too much money."

Even the lead manager admitted it was "not selling much paper", but felt confident that when "demand picks up [for French franc bonds] this issue should benefit". A rival French bank said: "The only explanation for launching the deal is that SocGen wants to boost its ranking in the league tables."

In the afternoon, the spread had widened to around 17 basis points, below the break-even level for syndicate members.

The eurolira sector was once again active, with the European Investment Bank and DSL Bank both issuing new tranches of bonds fungible with recently-launched 10-year issues.

Elsewhere, traders complained that a Brazilian five-year global bond, launched on Monday, had cheapened substantially after the launch. J. P. Morgan, joint lead manager with SBC Warburg, admitted the issue had been aggressively priced "relative to Mexico and Argentina", which have higher credit ratings but offer more generous spreads.

Mr Gustavo Franco, director of international affairs at the Brazilian central bank, said it was common for spreads to widen after aggressively priced issues, especially in primary market trading, when it is easy for traders to sell the bonds short at no cost.

J. P. Morgan said the rally in US Treasuries also played a role, since other bonds "are subject to a natural lag". It expects to correct the pricing "once the underlying market has settled down".

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
SAFA(a)	90	5.51#	100.00	Nov 1999	1.20	-	IBJ Int/New Japan Sec.
Banco Bansud(s)	100	9.25	99.925	Nov 1998	0.88R	350(5⅞%-98)	Bear Stearns Intl.
■ YEN							
Export Fin. & Insurance(l)★	*12bn*	*5.40#*	*100.00*	*Nov 1999*	*1.70*	-	*Taiheiyo Erp/Yamaichi*
■ DANISH KRONER							
Commerzbank	400	(f)	102.00	Dec 2006	2.00	-	BBL/BIL
■ FRENCH FRANCS							
Kingdom of Spain(b)	3bn	6.625	103.70R	Jul 2006	0.325R	(b1)	Societe Generale
■ LUXEMBOURG FRANCS							
Banque Indosuez	2bn	5.875	102.55	Dec 2003	1.875	-	BGL/BCEE
■ ITALIAN LIRE							
EIB(c)	250bn	7.875	100.57	Nov 2006	1.875	-	BCI/Cariplo/S.Pio/JP Mrg
DSL Bank(d)	100bn	8.00	100.90	Nov 2006	2.00	-	Sao Paolo
Findomestic Spa★‡	82bn	(e)	100.00	Dec 2001	undisc	-	IMI Sigeco.

Final terms, non-callable unless stated. Yield spread (over relevant gvt bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) South Australian Government Financing Authority. Launched off SAFA's debt instrument programme. b) Fungible with outstanding FFr6bn issue. b1) 13(f) or 10(06PAT). c) Fungible with L750bn. Plus 8 days accrued interest. d) Added to L300bn. e) 3-mth Ribor +40bp. f) 6¼% yrs 1-5; 8¼% yrs 6-8 and 9¼% yrs 9-10. l) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	95.2170	−0.070	7.43	7.52	7.96
Austria		5.875	07/06	98.4500	−0.010	6.09	5.94	6.14
Belgium		7.000	05/06	106.1300	−0.040	6.13	6.06	6.39
Canada *		7.000	12/06	103.0800	+0.380	6.58	6.38	7.40
Denmark		8.000	03/06	107.6000	−0.060	6.87	6.80	7.13
France	BTAN	5.500	10/01	102.2925	–	4.96	4.87	5.33
	OAT	6.500	10/06	103.7600	+0.040	5.99	5.93	6.22
Germany Bund		6.250	04/06	101.6800	+0.190	6.01	5.95	6.18
Ireland		8.000	08/06	107.5500	−0.100	6.91	6.89	7.26
Italy		9.500	02/06	108.3500	−0.270	8.20†	8.09	8.93
Japan	No 140	6.600	06/01	121.9637	−0.110	1.58	1.58	1.77
	No 182	3.000	09/05	102.4951	−0.330	2.66	2.70	2.83
Netherlands		8.500	06/06	118.3800	+0.160	5.94	5.88	6.06
Portugal		9.500	02/06	112.7000	−0.030	7.55	7.57	8.20
Spain		8.800	04/06	106.1300	−0.480	7.83	7.73	8.23
Sweden		6.000	02/05	92.4477	−0.230	7.23	7.18	7.70
UK Gilts		8.000	12/00	103–23	+2/32	6.94	6.88	7.03
		7.500	12/06	99–19	+1/32	7.58	7.52	7.79
		9.000	10/08	110–07	−4/32	7.68	7.63	7.92
US Treasury *		6.500	10/06	100–16	+27/32	6.43	6.52	6.85
		6.750	08/26	100–10	+41/32	6.72	6.81	7.06
ECU (French Govt)		7.000	04/06	104.8100	+0.120	6.33	6.31	6.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. *Source: MMS International*

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.86
Prime rate	8¼	Two month	-	Three year	6.00
Broker loan rate	7	Three month	5.16	Five year	6.21
Fed.funds	5¼	Six month	5.32	10-year	6.49
Fed.funds at intervention	-	One year	5.50	30-year	6.77

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	126.08	126.30	+0.02	126.36	125.82	165,151	181,769
Mar	126.06	126.30	+0.02	126.32	125.84	1,062	39,150
Jun	124.82	125.04	+0.02	125.00	124.82	100	5,657

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
124	-	-	-	0.01	0.07	0.58
125	1.28	-	-	0.01	0.21	-
126	0.35	0.78	1.50	0.05	0.50	1.25
127	0.02	0.31	1.00	-	1.01	-
128	-	0.11	0.62	-	-	-

Est. vol. total, Calls 16,957 Puts 19,859. Previous day's open int., Calls 273,149 Puts 209,404.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.25	99.54	+0.13	99.63	99.10	199601	251081
Mar	98.25	98.53	+0.13	98.57	98.15	1123	15141

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9950	*0.50*	*0.33*	*0.54*	*0.66*	*0.46*	*1.30*	*1.51*	*1.63*
10000	0.26	0.20	0.39	0.50	0.74	1.67	1.86	1.97
10050	0.14	0.11	0.28	0.36	1.10	2.08	2.25	2.33

Est. vol. total, Calls 19455 Puts 13124. Previous day's open int., Calls 172143 Puts 172246

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	123.01	122.77	−0.48	123.45	122.39	96845	83244
Mar	*122.02*	*121.99*	*−0.48*	*122.12*	*121.85*	*61*	*3575*

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
12250	1.24	1.89	0.97	2.40
12300	0.97	1.65	1.20	2.66
12350	0.76	1.44	1.49	2.95

Est. vol. total. Calls 4933 Puts 6616. Previous day's open int., Calls 193679 Puts 172168

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	107.20	106.93	−0.53	107.58	106.66	127,469	67,335

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-18	109-25	-	110-00	109-07	83475	152744
Mar	108-18	108-29	-	108-25	108-18	11	2229

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
109	1-19	1-10	1-34	1-49	0-33	1-16	1-40	1-55
110	0-46	0-47	1-06	1-19	0-60	1-53	2-12	2-25
111	0-23	0-29	0-49	0-59	1-37	2-35	2-55	3-01

Est. vol. total, Calls 2726 Puts 1774. Previous day's open int., Calls 38013 Puts 25853

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.00	94.24	+0.14	94.24	93.80	3,309	7,769
Mar	93.56	93.80	+0.14	93.78	93.40	1,661	500

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	110–27	111–24	+0–27	111–24	110–23	108,355	379,686
Mar	110–11	111–08	+0–26	111–09	110–08	1,228	25,028
Jun	*110–24*	*110–24*	*+0–26*	*110–24*	*110–24*	*5*	*5,232*

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	124.45			124.50	124.22	3163	n/a
Mar	123.46			123.56	123.37	418	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Oct 29	Day's change %	Mon Oct 28	Accrued interest	xd adj. ytd		Low coupon yield Oct 29	Oct 28	Yr. ago	Medium coupon yield Oct 29	Oct 28	Yr. ago	High coupon yield Oct 29	Oct 28	Yr. ago
1 Up to 5 years (21)	121.78	0.00	121.78	2.69	8.04	5 yrs	7.06	7.05	7.49	7.11	7.11	7.50	7.17	7.18	7.59
2 5-15 years (19)	149.95	−0.02	149.98	2.78	9.09	15 yrs	7.82	7.81	8.08	7.81	7.79	8.13	7.84	7.88	8.21
3 Over 15 years (8)	166.33	−0.23	166.72	3.72	9.83	20 yrs	7.92	7.92	8.13	7.90	7.88	8.17	7.93	7.92	8.25
4 Irredeemables (6)	191.65	−0.23	192.09	4.60	8.83	Irred.†	7.99	7.97	8.26						
5 All stocks (54)	144.23	−0.06	144.31	2.95	8.92										

Index-linked							Inflation 5% Oct 29	Oct 28	Yr. ago	Inflation 10% Oct 29	Oct 28	Yr. ago
6 Up to 5 years (2)	203.11	−0.01	203.13	0.44	5.28	Up to 5 yrs	3.06	3.07	3.23	2.42	2.41	2.11
7 Over 5 years (10)	195.16	−0.07	195.29	1.40	4.17	Over 5 yrs	3.54	3.53	3.66	[illegible]	3.53	3.48
8 All stocks (12)	194.94	−0.06	195.06	1.29	4.21							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Oct 29	Oct 28	Oct 25	Oct 24	Oct 23	Yr ago	High*	Low*
Govt. Secs. (UK)	93.90	94.14	94.27	93.83	94.12	93.47	96.34	91.59
Fixed Interest	115.31	115.56	115.50	115.40	115.56	111.66	116.45	110.74

Gilt Edged Activity Indices

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22
Gilt Edged bargains	122.5	97.6	101.1	88.7	124.5
5-day average	106.9	98.9	109.5	120.9	124.3

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 29

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99¾	100	+⅛	6.54
ABN Amro Bank 7¼ 05	1000	101¾	102	+⅛	7.10
African Dev Bk 7¾ 23	500	99¾	100	+⅞	7.42
Alberta Province 7⅜ 98	1000	103	103¼	+⅛	6.00
Asian Dev Bank 6¼ 05	750	97¼	97½	+⅛	6.77
[illegible]					
Sweden 8 97	2500	104½	104¾	–⅛	3.42
United Kingdom 7⅛ 97	5500	103⅝	103⅞	–⅛	3.37
Volkswagen Intl Fin 7 03	1000	105⅞	105		5.89
World Bank 5⅞ 03	3000	101⅛	101⅝		5.57
World Bank 7⅛ 05	3000	107⅛	107¼	+⅛	6.02
[illegible]					
Abbey Natl Treasury 8 03 £	1000	101⅝	102⅛	+⅛	7.81
British Land 8⅞ 23 £	150	94⅝	95	–⅛	9.55
Denmark 6⅛ 98 £	800	100⅛	100⅜		6.66
Depfa Finance 7⅛ 08 £	500	97⅜	97⅝	–⅛	7.82
EIB 8 03 £	1000	103¼	103⅝		7.37
Glaxo Wellcome 8⅞ 05 £	500	104⅜	104⅝		8.05
[illegible]					

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day. FLOATING RATE NOTES: [illegible] CONVERTIBLE BONDS: [illegible]

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
Shorts (Lives up to Five Years)						
[illegible]						
Five to Fifteen Years						
[illegible]						
Over Fifteen Years						
[illegible]						
Undated						
[illegible]						
Index-Linked						
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. [illegible]

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. [illegible]

CURRENCIES AND MONEY

D-Mark gains on fears of Emu delay

MARKETS REPORT

By Simon Kuper

The D-Mark was the big winner on the foreign exchanges yesterday, gaining on links to weak US economic data, prospects of German rate rises, and fears that "window dressing" on the French budget could delay France's entry into the single European currency.

The D-Mark closed in London three tenths of a pfennig stronger against the dollar at DM1.511, Y0.38 higher against the yen at Y75.53 and 0.9 pfennigs firmer against the pound at DM2.432. It also broke through resistance at SFr0.831 to close at SFr0.831.

■ The first boost for the D-Mark yesterday came from forecasts by German research institutes that gross domestic product growth this year would be 1.5 per cent, twice as high as previously forecast. They also said German interest rates could rise if M3 money supply growth stayed above target.

Furthermore, the institutes said Germany could fail to meet the Maastricht treaty criterion of a budget deficit of 3 per cent of GDP or less in 1997. This raised the prospect that European monetary union could be delayed.

Although the forecasts had been largely leaked the day before, they still affected the markets. Statements from Bundesbank directors later, saying that German rates should remain unchanged for now, failed to alter the picture. Then US data on the employment cost index and consumer confidence emerged weaker than expected, suggesting that US rates would remain on hold for the moment. This failed to hit the dollar, partly because the news encouraged buying of US Treasury bonds.

Mr Tony Norfield, treasury economist at ABN Amro in London, said the D-Mark could have risen even further yesterday but for market interventions by European central banks. The central banks of Italy, Sweden and Spain sold D-Marks to boost their own currencies, he said. These countries were trying to lift their currencies ahead of December's intergovernmental conference, in a bid to stay in the running to join Emu at the earliest starting date of January 1999.

■ But perhaps the most intriguing news item of the day emerged too late to have much of an effect in the London market. It was reported shortly before trading closed that the European Commission's advisory group of statisticians last week disagreed about whether France could use receipts from the partial privatisation of France Telecom to cut its budget deficit to 3 per cent of GDP.

The reports sent the French Franc falling from DM3.377 to close in London at DM3.381 – a large drop for a currency that usually trades in a very tight range against the D-Mark.

The reports also contributed to fears that Emu could be delayed from its planned start. These fears could hit convergence trades – bets on high-yielding peripheral European currencies such as the lira and the peseta. Mr Norfield said: "With the France Telecom issue clouding the outlook for Emu again, it could give the D-Mark some firmness over the next couple of days."

Most currency strategists believe that the Bundesbank and most European governments currently support an Emu starting date in 1999. Mr Hans Koebnick, the Bundesbank council member, said yesterday that it was unacceptable for countries to miss the Emu deficit target by more than 10 per cent. 4Cast, the economic consultancy, said that this was the "first time a Bundesbanker has spelled out what they consider to be an acceptable 'fudge' of the Maastricht criteria".

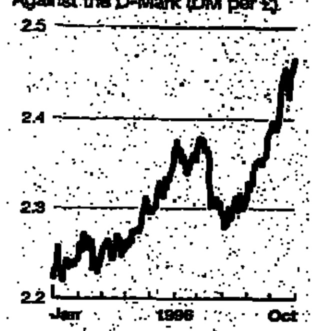
But the strategists say that fresh signs that various countries were struggling to meet the Maastricht criteria could affect governmental support for Emu, and would thus boost the D-Mark.

■ Sterling was volatile yet again, losing almost 2 pfennigs against the D-Mark after gaining almost 3 pfennigs in the two previous days of trading. Currency strategists said the pound's volatility was making some investors nervous.

Yesterday's retreat was almost entirely due to the strong D-Mark, as UK consumer credit data were stronger than expected.

Sterling

Against the D-Mark (DM per £)



Source: Datastream

■ Pound in New York

Oct 29	—Latest—	— Prev. close —
£ spot	1.6100	1.6130
1 mth	1.6093	1.6123
3 mth	1.6079	1.6110
1 yr	1.6003	1.6040

■ OTHER CURRENCIES

Oct 29	£	$
Czech Rp	43.1590 - 43.2129	26.8110 - 26.8320
Hungary	249.391 - 249.811	154.940 - 154.990
Iran	4831.50 - 4828.00	3000.00 - 3000.00
Kuwait	0.4819 - 0.4823	0.2994 - 0.2995
Poland	4.3214 - 4.3371	2.6880 - 2.6110
Russia	8780.37 - 8788.50	5455.00 - 5457.00
UAE	5.9088 - 5.9162	3.6710 - 3.6735

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POUND SPOT FORWARD AGAINST THE POUND

Oct 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1091	-0.1335	010 - 172	17.2466	17.0835	17.0856	3.1	17.0091	2.3	-	-	105.0
Belgium	(BFr)	50.1370	-0.3217	906 - 832	50.4970	49.9470	50.017	2.8	49.792	2.8	48.772	2.7	108.3
Denmark	(DKr)	9.3488	-0.0532	445 - 530	9.4054	9.3132	9.3315	2.2	9.2999	2.1	9.1616	2.0	107.4
Finland	(FM)	7.2850	-0.0542	785 - 921	7.3370	7.2680	-	-	-	-	-	-	85.1
France	(FFr)	8.2233	-0.0524	184 - 272	8.2823	8.1934	8.2066	2.4	8.1759	2.3	8.0382	2.3	109.0
Germany	(DM)	2.4316	-0.0192	305 - 327	2.4523	2.4233	2.4261	2.7	2.4148	2.8	2.3649	2.7	108.3
Greece	(Dr)	381.968	-2.26	749 - 186	384.534	378.504	-	-	-	-	-	-	67.8
Ireland	(I£)	0.9912	-0.0006	905 - 919	0.9946	0.9903	0.991	0.2	0.9907	0.2	0.9879	0.3	100.1
Italy	(L)	2442.69	-10.36	096 - 442	2454.44	2433.75	2447.74	-2.5	2456.29	-2.2	2477.69	-1.4	77.1
Luxembourg	(LFr)	50.1370	-0.3217	906 - 832	50.4970	49.9470	50.017	2.9	49.792	2.8	48.772	2.7	106.3
Netherlands	(Fl)	2.7264	-0.0205	270 - 288	2.7489	2.7180	2.7214	3.1	2.7081	3.0	2.6496	2.9	106.4
Norway	(NKr)	10.2848	-0.0682	787 - 905	10.3668	10.2236	10.2746	1.2	10.2631	0.8	10.2111	0.7	99.3
Portugal	(Es)	246.048	-1.345	896 - 197	247.522	244.005	246.293	-1.2	246.673	-1.0	-	-	94.0
Spain	(Pta)	204.984	-1.373	902 - 065	206.471	204.423	205.184	-1.2	205.519	-1.0	206.234	-0.6	80.2
Sweden	(SKr)	10.5507	-0.0559	397 - 617	10.6112	10.5250	10.5499	0.1	10.548	0.1	10.5395	0.1	89.5
Switzerland	(SFr)	2.0214	-0.0103	200 - 228	2.0368	2.0110	2.0139	4.5	2.0001	4.2	1.939	4.1	109.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	89.1
Ecu	-	1.2896	-0.0085	889 - 703	1.2793	1.2658	1.2678	1.7	1.2643	1.7	1.2466	1.6	-
SDR†	-	1.120130	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6098	-0.0025	093 - 103	1.6126	1.6042	-	-	-	-	-	-	-
Brazil	(R$)	1.6552	-0.0023	545 - 559	1.7018	1.6501	-	-	-	-	-	-	-
Canada	(C$)	2.1661	-0.0001	651 - 671	2.1691	2.1590	2.1625	2.0	2.1553	2.0	2.1291	1.7	85.7
Mexico	(New Peso)	12.7444	+0.0378	368 - 519	12.7520	12.6828	-	-	-	-	-	-	-
USA	($)	1.6101	-0.0002	098 - 105	1.6126	1.6044	1.6093	0.5	1.608	0.5	1.6007	0.6	97.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0348	-0.005	336 - 360	2.0419	2.0314	2.0365	-1.0	2.0388	-0.5	2.0447	-0.5	94.0
Hong Kong	(HK$)	12.4482	-0.0156	453 - 520	12.4695	12.4080	12.4451	0.4	12.4421	0.2	12.4532	0.0	-
India	(Rs)	57.3984	-0.0781	603 - 364	57.7380	57.0580	-	-	-	-	-	-	-
Israel	(Shk)	5.2604	+0.0252	513 - 694	5.2698	5.2180	-	-	-	-	-	-	-
Japan	(Y)	183.707	-0.467	575 - 839	185.200	182.430	182.857	5.6	181.247	5.4	174.462	5.0	127.3
Malaysia	(M$)	4.0493	-0.0011	473 - 512	4.0519	4.0344	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2827	-0.0029	812 - 841	2.2885	2.2671	2.2905	-4.1	2.3044	-3.8	2.3429	-2.6	111.8
Philippines	(Peso)	42.3122	-0.0538	359 - 884	42.3988	42.2278	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0385	-0.0077	365 - 405	6.0475	6.0176	-	-	-	-	-	-	-
Singapore	(S$)	2.2750	-0.0096	736 - 764	2.2852	2.2677	-	-	-	-	-	-	-
South Africa	(R)	7.5471	+0.0266	410 - 532	7.5540	7.4990	-	-	-	-	-	-	-
South Korea	(Won)	1341.17	-0.1	838 - 396	1344.80	1336.47	-	-	-	-	-	-	-
Taiwan	(T$)	44.3569	-0.0968	123 - 015	44.4650	44.1932	-	-	-	-	-	-	-
Thailand	(Bt)	41.0804	-0.0653	528 - 080	41.1720	40.9520	-	-	-	-	-	-	-

† Rates for Oct 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.6265	-0.0693	244 - 285	10.6969	10.6000	10.6067	2.2	10.5685	2.3	10.3715	2.4	104.7
Belgium	(BFr)	31.1400	-0.16	200 - 600	31.3150	31.0440	31.075	2.5	30.9425	2.5	30.3225	2.6	105.8
Denmark	(DKr)	5.8065	-0.0256	055 - 075	5.8342	5.7914	5.7976	1.8	5.7792	1.9	5.6975	1.9	106.7
Finland	(FM)	4.5247	-0.0278	224 - 270	4.5550	4.5185	4.5159	2.3	4.4972	2.4	4.4147	2.4	84.4
France	(FFr)	5.1075	-0.026	065 - 085	5.1390	5.0936	5.0987	2.1	5.0807	2.1	4.9965	2.1	108.5
Germany	(DM)	1.5103	-0.01	100 - 105	1.5206	1.5066	1.5073	2.4	1.5007	2.6	1.4705	2.6	107.6
Greece	(Dr)	237.240	-1.1	170 - 310	238.500	236.260	238.795	-7.9	241.365	-7.0	262.39	-6.4	67.5
Ireland	(I£)	1.6243	+0.0012	238 - 250	1.6270	1.6178	1.624	0.2	1.6237	0.1	1.6205	0.2	-
Italy	(L)	1517.15	-4.5	650 - 780	1523.60	1514.25	1520.95	-3.0	1526.9	-2.6	1542.4	-1.7	76.7
Luxembourg	(LFr)	31.1400	-0.16	200 - 600	31.3150	31.0440	31.075	2.5	30.9425	2.5	30.3225	2.6	105.8
Netherlands	(Fl)	1.6946	-0.0107	942 - 950	1.7055	1.6905	1.6906	2.7	1.6826	2.8	1.6473	2.8	105.8
Norway	(NKr)	6.3878	-0.0329	859 - 896	6.4335	6.3540	6.3841	0.7	6.3784	0.6	6.3528	0.5	98.6
Portugal	(Es)	152.820	-0.64	770 - 870	153.760	151.850	153.025	-1.6	153.32	-1.3	154.095	-0.8	95.9
Spain	(Pta)	127.315	-0.69	300 - 330	128.050	127.150	127.495	-1.7	127.755	-1.4	128.42	-0.9	80.0
Sweden	(SKr)	6.5530	-0.0284	480 - 580	6.5846	6.5480	6.5502	0.5	6.5404	0.8	6.493	0.9	90.1
Switzerland	(SFr)	1.2555	-0.0048	550 - 560	1.2634	1.2494	1.2511	4.2	1.2426	4.1	1.205	4.0	109.3
UK	(£)	1.6100	-0.0021	095 - 105	1.6128	1.6044	1.6093	0.5	1.608	0.5	1.6007	0.6	89.2
Ecu	-	1.2682	+0.0068	678 - 685	1.2710	1.2603	1.2695	-1.3	1.2727	-1.4	1.2893	-1.7	-
SDR†	-	0.694011	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0002	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0281	-0.0001	279 - 282	1.0297	1.0274	-	-	-	-	-	-	-
Canada	(C$)	1.3454	+0.0011	451 - 456	1.3470	1.3451	1.3436	1.7	1.3395	1.8	1.3249	1.5	85.2
Mexico	(New Peso)	7.9155	+0.0335	130 - 180	7.9180	7.9130	8.0335	-17.9	8.3	-19.4	9.1805	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.3
Pacific/Middle East/Africa													
Australia	(A$)	1.2638	-0.0015	634 - 642	1.2661	1.2631	1.2653	-1.4	1.2672	-1.1	1.2727	-0.7	95.6
Hong Kong	(HK$)	7.7322	+0.0002	319 - 324	7.7330	7.7316	7.7321	0.0	7.7326	0.0	7.7437	-0.1	-
India	(Rs)	35.6500	-	500 - 500	35.8800	35.4500	35.865	-7.2	36.325	-7.6	-	-	-
Israel	(Shk)	3.2672	+0.0197	625 - 719	3.2720	3.2390	-	-	-	-	-	-	-
Japan	(Y)	114.100	-0.145	050 - 150	114.910	113.590	113.595	5.3	112.6	5.3	108.395	5.0	127.9
Malaysia	(M$)	2.5150	+0.0025	145 - 155	2.5163	2.5115	2.5178	-1.4	2.5232	-1.3	2.5445	-1.2	-
New Zealand	(NZ$)	1.4177	-	172 - 182	1.4190	1.4131	1.4232	-4.7	1.4275	-2.8	1.459	-2.9	-
Philippines	(Peso)	26.2800	-	400 - 200	26.3200	26.2400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4130	-0.0042	125 - 135	1.4177	1.4128	1.4108	1.8	1.4062	1.9	1.385	2.0	-
South Africa	(R)	4.6875	+0.0225	850 - 900	4.6940	4.6640	4.7282	-10.4	4.8032	-9.9	5.118	-9.2	-
South Korea	(Won)	833.000	+1	500 - 500	834.500	830.100	-	-	-	-	-	-	-
Taiwan	(T$)	27.5500	-0.025	300 - 700	27.6000	27.5250	27.5501	0.0	27.5508	0.0	-	-	-
Thailand	(Bt)	25.5150	-0.008	050 - 250	25.5500	25.5020	25.605	-4.2	25.7725	-4.0	26.41	-3.5	-

† SDR rate per $ for Oct 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 28: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

October 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 1/32	3 1/8	3 3/32	3 1/8	3 7/32	6.00	2.50	-
week ago	3 1/32	3 1/8	3 1/8	3 1/8	3 3/16	6.00	2.50	-
France	3 3/16	3 1/8	3 5/32	3 1/8	3 9/32	3.35	-	4.75
week ago	3 11/32	3 1/8	3 5/32	3 1/8	3 5/16	3.35	-	4.75
Germany	2 27/32	3 1/16	3 1/8	3 1/16	3 3/16	4.50	2.50	3.00
week ago	3 1/32	3 1/8	2 29/32	3 1/16	3 1/8	4.50	2.50	3.00
Ireland	5 5/8	5 5/8	5 13/16	5 13/16	5 3/4	-	-	6.25
week ago	5 5/8	5 5/8	5 5/8	5 5/8	5 13/16	-	-	6.25
Italy	7 7/8	7 [illegible]	7 [illegible]	7 [illegible]	7 [illegible]	9.00	7.50	8.38
week ago	8 1/32	7 [illegible]	7 [illegible]	7 [illegible]	7 [illegible]	-	8.25	8.38
Netherlands	2 27/32	2 7/8	2 27/32	2 31/32	3 1/8	-	3.00	3.30
week ago	2 27/32	2 7/8	2 29/32	2 27/32	3 1/32	-	3.00	3.30
Switzerland	1 5/8	1 3/4	1 13/16	1 27/32	1 27/32	-	1.00	-
week ago	1 1/4	1 3/4	1 13/16	1 7/8	1 27/32	-	1.00	-
US	5 1/4	5 1/4	5 13/32	5 1/2	5 11/16	-	5.00	-
week ago	5 1/8	5 1/4	1 15/32	5 17/32	5 3/4	-	5.00	-
Japan	7/16	15/32	15/32	7/16	17/32	-	0.50	-
week ago	7/16	15/32	15/32	15/32	17/32	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 3/8	5 17/32	5 5/8	5 27/32	-	-	-
week ago	-	5 3/8	5 17/32	5 5/8	5 25/32	-	-	-
US Dollar CDs	-	5.10	5.10	5.16	5.34	-	-	-
week ago	-	5.10	5.10	5.18	5.39	-	-	-
ECU Linked Ds	-	4 3/32	4 3/32	4 1/32	4 1/8	-	-	-
week ago	-	4 1/32	4 1/16	4 1/8	4 1/32	-	-	-
SDR Linked Ds	-	3 3/32	3 1/32	3 3/16	3 5/32	-	-	-
week ago	-	3 3/32	3 1/32	3 1/8	3 5/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/8 - 2 31/32	3 1/8 - 2 31/32	3 5/32 - 3	3 5/32 - 3 1/16	3 3/16 - 3 1/32	3 9/32 - 3 5/32
Danish Krone	3 13/32 - 3 1/4	3 7/16 - 3 5/16	3 5/8 - 3 7/16	3 11/16 - 3 9/16	3 13/16 - 3 21/32	3 15/16 - 3 3/4
D-Mark	3 1/8 - 2 7/8	3 5/32 - 3 1/16	3 1/8 - 2 7/8	3 5/32 - 2 29/32	3 3/16 - 3 1/16	3 5/16 - 3 3/16
Dutch Guilder	3 1/8 - 3	3 1/16 - 2 15/16	2 15/16 - 2 7/8	2 31/32 - 2 27/32	3 1/32 - 2 29/32	3 7/16 - 3 3/32
French Franc	3 3/8 - 3 1/4	3 11/32 - 3 5/16	3 7/16 - 3 11/32	3 15/32 - 3 11/32	3 17/32 - 3 7/16	3 21/32 - 3 17/32
Portuguese Esc.	7 1/32 - 7	7 1/32 - 7	7 - 6 15/16	6 31/32 - 6 13/16	6 23/32 - 6 11/16	6 25/32 - 6 21/32
Spanish Peseta	7 - 6 31/32	7 - 6 31/32	6 31/32 - 6 27/32	6 7/8 - 6 3/4	6 3/4 - 6 5/8	6 23/32 - 6 19/32
Sterling	5 13/16 - 5 11/16	5 13/16 - 5 11/16	5 29/32 - 5 7/8	6 - 5 15/16	6 3/16 - 6 1/16	6 13/32 - 6 11/32
Swiss Franc	1 3/4 - 1 5/8	1 7/8 - 1 3/4	1 13/16 - 1 11/16	1 15/16 - 1 13/16	1 15/16 - 1 13/16	2 1/16 - 1 15/16
Can. Dollar	3 7/16 - 3 1/4	3 1/2 - 3 1/4	3 17/32 - 3 7/32	3 13/32 - 3 9/32	3 1/2 - 3 3/8	3 7/8 - 3 3/4
US Dollar	5 1/4 - 5	5 11/32 - 5 9/32	5 5/16 - 5 3/16	5 1/2 - 5 3/16	5 19/32 - 5 9/32	5 25/32 - 5 19/32
Italian Lira	8 1/4 - 7 3/8	8 1/8 - 8	8 1/32 - 7 29/32	7 3/4 - 7 21/32	7 9/16 - 7 15/32	7 1/4 - 7 5/32
Yen	1/2 - 3/8	15/32 - 3/8	1/2 - 13/32	15/32 - 11/32	1/2 - 3/8	9/16 - 15/32
Asian $Sing	3 1/2 - 3 3/8	3 7/16 - 3 5/16	3 1/2 - 3 3/8	3 1/2 - 3 3/8	3 1/2 - 3 3/8	3 1/2 - 3 3/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.45	96.45	-0.01	96.45	96.42	14,048	52,497
Mar	96.39	96.38	-0.03	96.40	96.35	14,371	51,880
Jun	96.30	96.30	-0.03	96.31	96.26	7,799	28,329

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.81	96.81	-	96.83	96.80	23140	221518
Mar	96.78	96.80	+0.01	96.81	96.75	38460	195227
Jun	96.61	96.63	-0.01	96.65	96.58	45948	166923
Sep	96.41	96.42	-0.01	96.44	96.35	45874	154825

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.59	92.60	-	92.64	92.54	12860	69132
Mar	93.12	93.13	-0.01	93.20	93.07	17140	49029
Jun	93.36	93.39	-0.02	93.44	93.34	5124	32166
Sep	93.43	93.44	-0.03	93.49	93.38	2069	22413

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.05	98.08	+0.01	98.10	98.02	5598	30654
Mar	98.05	98.06	-	98.10	98.00	8051	27769
Jun	97.84	97.88	-	97.92	97.79	2306	14547
Sep	97.62	97.67	-	97.69	97.62	1430	5278

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.45	99.45	+0.01	99.45	99.45	50	n/a
Mar	99.38	99.39	+0.01	99.39	99.38	170	n/a
Jun	99.25	99.26	-	99.26	99.25	375	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.87	95.86	-0.03	95.88	95.85	1913	7444
Mar	95.86	95.87	-0.02	95.90	95.85	1162	5059
Jun	95.80	95.81	-0.03	95.84	95.78	768	3114
Sep	95.68	95.73	-0.01	95.73	95.68	180	2742

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.65	16.40	4.850	1.976	4872	5.441	20.50	490.8	408.9	21.04	4.031	1.994	4.320	3.211	366.4	2.533
Denmark	(DKr)	53.63	10	8.796	2.601	1.060	2613	2.918	11.00	263.2	219.3	11.28	2.162	1.070	2.317	1.722	196.5	1.358
France	(FFr)	60.98	11.37	10	2.958	1.205	2971	3.318	12.50	299.3	249.3	12.83	2.458	1.216	2.634	1.958	223.4	1.544
Germany	(DM)	20.62	3.844	3.381	1	0.407	1005	1.122	4.227	101.2	84.29	4.338	0.831	0.411	0.891	0.662	75.53	0.522
Ireland	(I£)	50.60	9.434	8.298	2.454	1	2465	2.753	10.37	248.3	206.9	10.65	2.039	1.009	2.186	1.625	185.4	1.282
Italy	(L)	2.052	0.383	0.337	0.100	0.041	100.	0.112	0.421	10.07	8.391	0.432	0.083	0.041	0.089	0.066	7.519	0.052
Netherlands	(Fl)	18.38	3.427	3.014	0.891	0.363	895.5	1	3.768	90.21	75.15	3.867	0.741	0.367	0.794	0.590	67.34	0.466
Norway	(NKr)	48.77	9.094	7.999	2.366	0.964	2376	2.654	10	239.4	199.4	10.26	1.966	0.973	2.107	1.566	178.7	1.235
Portugal	(Es)	20.37	3.799	3.341	0.988	0.403	992.7	1.108	4.177	100.	83.30	4.287	0.821	0.406	0.880	0.654	74.64	0.516
Spain	(Pta)	24.46	4.560	4.011	1.186	0.483	1192	1.331	5.015	120.0	100.	5.146	0.986	0.488	1.057	0.785	89.61	0.620
Sweden	(SKr)	47.53	8.862	7.794	2.305	0.939	2316	2.586	9.744	233.3	194.3	10	1.916	0.948	2.053	1.526	174.1	1.204
Switzerland	(SFr)	24.81	4.626	4.069	1.203	0.490	1209	1.350	5.087	121.8	101.4	5.220	1	0.495	1.072	0.797	90.90	0.628
UK	(£)	50.14	9.349	8.223	2.432	0.991	2443	2.728	10.28	246.1	205.0	10.55	2.021	1	2.166	1.610	183.7	1.270
Canada	(C$)	23.15	4.316	3.796	1.123	0.458	1128	1.259	4.746	113.6	94.64	4.871	0.933	0.462	1	0.743	84.81	0.586
US	($)	31.14	5.807	5.107	1.511	0.616	1517	1.694	6.385	152.9	127.3	6.553	1.255	0.621	1.345	1	114.1	0.789
Japan	(Y)	27.29	5.089	4.475	1.324	0.539	1330	1.485	5.596	134.0	111.6	5.743	1.100	0.544	1.179	0.878	100.	0.691
Ecu		39.48	7.361	6.475	1.915	0.780	1924	2.148	8.094	193.8	161.4	8.307	1.591	0.787	1.706	1.268	144.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6603	0.6634	+0.0033	0.6657	0.6593	16,807	59,728
Mar	0.6654	0.6673	+0.0032	0.6699	0.6654	95	3,561
Jun	-	0.6717	+0.0035	0.6717	-	103	2,500

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7979	0.7996	+0.0023	0.8036	0.7951	10,372	44,250
Mar	0.8078	0.8073	+0.0028	0.8087	0.8072	38	2,626
Jun	-	0.8145	+0.0027	0.8145	-	1	508

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8813	0.8838	+0.0025	0.8865	0.8757	16,651	78,794
Mar	0.8900	0.8956	+0.0028	0.8967	0.8900	349	2,575
Jun	-	0.9044	-	-	-	15	285

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6120	1.6084	-0.0030	1.6120	1.6038	10,718	56,968
Mar	1.6040	1.6066	-0.0030	1.6070	1.6030	50	355
Jun	-	1.6050	-0.0028	-	1.6010	100	152

UK INTEREST RATES

LONDON MONEY RATES

Oct 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 13/16 - 5	5 13/16 - 5 11/16	5 31/32 - 5 13/16	6 1/32 - 5 29/32	6 1/4 - 6 1/8	6 9/16 - 6 7/16
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	5 3/4 - 5 5/8	5 3/4 - 5 5/8	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	5 3/4 - 5 1/2	5 3/4 - 5 1/2	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Average rate of discount on Oct 25, 5.6286pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 30, 1996. Agreed rate for period Oct 26, 1996 to Nov 25, 1996, Schemes II & III 7.19pc. Reference rate for period Aug 31, 1996 to Sep 30, 1996, Schemes IV & V 5.649pc. Finance House Base Rate 6pc from Oct 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.91	93.92	-	93.93	93.90	11853	94505
Mar	93.72	93.76	+0.02	93.78	93.70	18056	91738
Jun	93.40	93.44	+0.02	93.45	93.37	15147	61483
Sep	93.13	93.17	+0.02	93.20	93.10	10049	54181
Dec	92.89	92.95	+0.03	92.97	92.86	4995	45358

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9375	0.21	0.19	0.15	0.04	0.18	0.46
9400	0.04	0.07	0.06	0.12	0.31	0.64
9425	0.01	0.02	0.02	0.34	0.51	0.85

Est. vol. total, Calls 5240 Puts 1596. Previous day's open int., Calls 133324 Puts 151617

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	●NatWestminster	5.75
Allied Irish Bank (GB)	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●C. Hoare & Co	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75	● Members of London Investment Banking Association	
Citibank NA	5.75	●Leopold Joseph & Sons	5.75	* In administration	
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	*Mount Credit Corp	6.00		
Credit Lyonnais	5.75				

■ EMS EUROPEAN CURRENCY UNIT RATES

Oct 29	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.784958	+0.008254	-0.92	2.37	-
Finland	5.80661	5.76115	-0.00727	-0.78	2.22	5
Portugal	195.792	194.439	-0.008	-0.69	2.13	5
Spain	162.493	162.020	-0.154	-0.29	1.72	2
Netherlands	2.15214	2.15560	-0.00452	0.16	1.26	-1
Belgium	39.3960	39.5657	-0.0817	0.48	0.94	-4
Germany	1.91007	1.92161	-0.00436	0.60	0.81	-6
Austria	13.4383	13.5199	-0.0306	0.61	0.81	-4
Denmark	7.28580	7.36211	-0.00489	1.32	0.10	-9
France	6.40608	6.49720	-0.00809	1.42	0.00	-12
NON ERM MEMBERS						
Greece	292.867	302.257	+0.237	3.21	-1.73	-
Italy	2106.15	1933.04	-7.77	-8.22	10.51	-
UK	0.786652	0.792044	+0.007301	0.69	0.73	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92 Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Nov	Calls Dec	Calls Jan	Puts Nov	Puts Dec	Puts Jan
1.580	-	3.05	3.30	-	0.33	0.63
1.590	-	-	2.85	0.15	0.58	0.93
1.600	1.45	1.92	2.27	0.38	0.90	1.30
1.610	0.64	1.36	1.73	0.77	1.39	1.76
1.620	0.13	0.92	1.29	1.36	1.94	2.32

Previous day's vol., Calls 5,834 Puts 3,659 . Prev. day's open int., Calls 138,894 Puts 132,653

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.39	94.42	+0.03	94.43	94.37	19,861	484,890
Mar	94.30	94.36	+0.06	94.37	94.29	29,622	383,506
Jun	94.16	94.24	+0.08	94.24	94.14	17,753	279,877

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.93	94.96	+0.02	94.96	94.92	33	3,970
Mar	94.89	94.88	+0.05	94.89	94.87	22	1,903
Jun	-	94.73	+0.04	94.73	94.68	12	1,367

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
9675	0.03	0.09	0.12	0.15	0.02	0.03	0.07	0.11
9700	0.01	0.02	0.03	0.06	0.15	0.19	0.20	0.25
9725	0	0	0.01	0.01	0.40	0.44	0.45	0.46

Est. vol. total, Calls 5157 Puts 7115. Previous day's open int., Calls 440127 Puts 308350

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9825	0.06	0.16	0.17	0.23	0.36	0.54
9850	0.02	0.07	0.09	0.44	0.51	0.71

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4226 Puts 2050

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9250	0.19	0.72	1.01	0.09	0.09	0.12
9275	0.07	0.51	0.81	0.23	0.13	0.17
9300	0.02	0.33	0.63	0.43	0.21	0.24

Est. vol. total, Calls 9602 Puts 651. Previous day's open int., Calls 115406 Puts 86700

COMMODITIES AND AGRICULTURE

Hamanaka admits forging documents in relation to Sumitomo's $2.6bn copper market losses

LME seeks more transparency

By Deborah Hargreaves in London and William Dawkins in Tokyo

Mr Yasuo Hamanaka, the former trader for Japan's Sumitomo Corporation who once dominated the global copper market, yesterday admitted that he forged documents relating to the company's $2.6bn market losses.

The news came as Mr Raj Bagri, chairman of the London Metal Exchange, detailed controversial reforms to the market that he wants to implement in the wake of the copper trading scandal.

Mr Hidesato Sekine, one of a team of three lawyers representing Mr Hamanaka, told Reuters news agency: "At this time Mr Hamanaka is admitting that he committed forgery, as charged by the Tokyo prosecutors' office."

Mr Hamanaka was arrested last week after being sacked by Sumitomo four months ago for running up huge losses from unauthorised copper trades.

While acknowledging guilt on the forgery counts, Mr Hamanaka denied that he manipulated world copper markets, drafted fictitious trades, or received any personal benefit from his transactions, Mr Sekine said. "He said he acted only for the sake of the company," the lawyer said.

Mr Hamanaka did not indicate whether any of his superiors at Sumitomo had been aware of his activities in the copper market. Officials at Sumitomo have stressed Mr Hamanaka was acting alone.

Mr Bagri, on a visit to Japan, said the reforms being considered could be introduced by the end of the year. He said the LME was discussing with the metals industry the possibility of traders divulging greater information about their copper stocks.

He is reported to have said that this could involve disclosing information about the ownership of stocks and market positions.

"No amount of regulatory oversight can prevent people from getting into difficulties if the proper controls have not been exercised," he said.

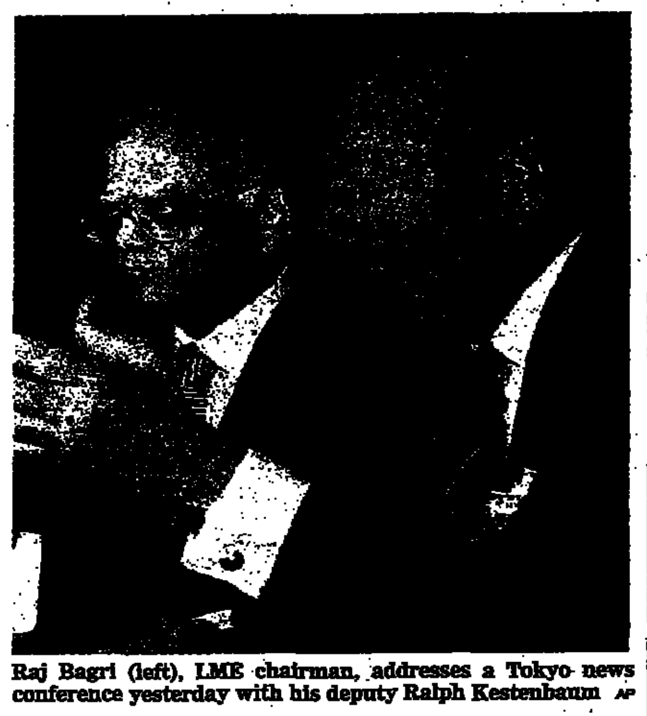
"We would like more transparency. We are now in a dialogue with the industry to see what more we can do... and we hope to come to an understanding with users in the next few weeks."

However, some LME members believe Mr Bagri was too optimistic about what could be extremely sensitive reforms. "The disclosure issue raises all sorts of questions of confidentiality," one former LME board member said yesterday.

Market users would be extremely sensitive to board members knowing their full position, since most board members are also traders in the market.

"Do you publish the information about stocks – and that is changing all the time – or do you just let the board know? Even that is dodgy," one trader said.

The LME faces scrutiny from UK and US regulators over its role in the Sumitomo affair. Mr Bagri said he would meet Japanese regulatory officials in Japan this week for a routine courtesy call.



Raj Bagri (left), LME chairman, addresses a Tokyo news conference yesterday with his deputy Ralph Kestenbaum AP

Nelson Gold to shut down Tajik venture

By Sander Thoenes in Almaty

Nelson Gold, the Canadian mining group, yesterday said it was closing down its gold venture in war-torn Tajikistan after a series of conflicts with the Tajik government, its partner in the project.

The squabbles over the investment – the largest western venture in the country – highlight the weakness of many of the early investments in the former Soviet Union.

Zeravshan Gold, set up to run the mining, processing and exploration joint venture, is 49 per cent owned by Nelson, which has management control. However, it claims the government is blocking exports of 25,000 ounces of gold worth $9.5m and says it will mothball its operations from tomorrow.

The venture – still in the first phase on development, based on open-pit mining – processed its first gold in January and has proven and probable reserves of 13.2m ounces of gold.

The conflict will complicate Nelson's efforts to obtain debt financing for the second stage of its project – the expansion into underground mining.

Mr Glenn Laing, Nelson president, said the rift was "all part of doing business in Central Asia. It's an educational experience," he added.

Nelson said it had invested $11.76m and lent $42m, and estimates total costs of the project at $274m. The International Finance Corporation had approved acquisition of a 5 per cent interest in the venture earlier this month.

The rift is embarrassing for the Tajik government, which has been struggling to attract serious investments.

"Are they our partners or what are they?" said Mr Kozi Radzhabov, deputy chairman of the Commission on Precious Metals and Gems, which represents the government in the venture. "They are not acting honestly."

Mr Radzhabov said Nelson had refused to account for its investments in the venture and had deducted too many operating costs from reported profits.

The two sides also differ over a management fee charged by Nelson to the venture. Mr Radzhabov said the English-language version of the contract stipulated that Nelson receive fee of 5 per cent of all expenditures, while the Russian-language version mentions only 5 per cent of investments made by Nelson.

The government demanded an effective veto right over transfers from the venture's gold account in Switzerland, while Nelson maintains that it holds full control of the account to obtain multilateral backing.

Mr Laing said the government had agreed on compromise solutions to all these issues earlier this summer, but failed to act on the agreement. He added that the government had breached the contract by forcing the venture to refine gold at a local plant, and then failed to implement tax reductions it had offered as compensation for extra refining costs.

Mr Radzhabov said the government could liquidate the venture for breaching Tajik law. "Let's have an international audit, which will draw its conclusions on the accounts and the contract. If they don't want to have an international audit we'll have to appeal to the International Arbitration Court. Let's straighten this out."

Selling spree prompts slide in copper prices

MARKET REPORT

By Deborah Hargreaves

The copper market slid 5 per cent yesterday as a selling spree hit the London Metal Exchange. Prices tumbled $115 a tonne in late trading to $1,925 a tonne for three-month metal.

The market shrugged off a fall in LME stocks of 13,475 tonnes, taking inventories to a six-year low of 132,350 tonnes.

"The normal rules of engagement do not apply in this market at the moment – under normal circumstances, that drop in stocks would have resulted in a sustainable rally," said Mr Angus MacMillan, research manager at Billiton Metals.

Mr MacMillan said the market had discounted the drop in stocks because traders had the perception that a lot of metal is available and the market is moving into significant surplus.

Strong selling from the Chinese had also pushed the price down. Traders believe the market could consolidate after falling so far in one day, but that the overall trend is still downwards.

Oil prices moved lower as the market for North Sea Brent crude was hit by speculative selling, pushing prices for December delivery down by almost $1 a barrel to $23.70. On the New York Mercantile Exchange, the price of December futures slipped 64 cents to $24.21 by mid-session.

November heating oil futures slipped 1.9 cents on Nymex to 69.6 cents a gallon, and jet fuel prices on the Rotterdam market were $2 a tonne weaker at $254 a tonne.

The International Air Transport Association said airlines would hold talks on November 13 in Geneva about the recent increases in jet fuel prices. An official said it was a "creeping crisis".

Gold closed down $2 a troy oz after pressure of selling in New York pushed the London market lower. Silver slipped 8 cents to $4.85 a troy oz.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes

Aluminium	-225	to 959,175
Aluminium alloy	-840	to 77,940
Copper	-13,475	to 132,350
Lead	-775	to 117,100
Nickel	+108	to 42,324
Zinc	-2,275	to 544,375
Tin	+20	to 10,075

Europe urged to embrace farm-related contracts

By Alison Maitland

Agricultural futures contracts have "huge potential" for growth in Europe, a US expert in financial markets said yesterday.

Mr Paul Knapp, president of Chicago-based Catalyst Institute, a research organisation specialising in markets and financial institutions, said the US was far ahead of Europe. Farm-related futures in the US consist of 37 contracts on 18 commodities, traded on seven exchanges. By comparison, the four European exchanges – in London, Paris, Amsterdam and the citrus futures exchange in Valencia – trade 18 contracts on nine commodities.

"The US has twice the number of contracts, on twice the number of commodities, and does 17 times the trading volume," Mr Knapp said at a London conference on risk management in European agriculture.

He said contracts for new products should meet seven criteria. They should: have a large cash market in the territory to be served by the exchange; attract a high level of hedging interest by a large number of market participants; be a similar product through the territory; have a volatile price; have readily available price information about the underlying cash market; have a lack of competing contracts; have a good system for physical delivery or cash settlement.

For example, he said, potatoes would not fit the Europe-wide bill, with about 100 varieties and 100 local markets in Germany alone.

He said continued EU price supports undermined certain contracts. However, as these supports were reduced or eliminated the contracts could become more attractive in the longer term.

Earlier, Mr Joseph Dial of the US Commodity Futures Trading Commission, the federal regulator of the futures industry, said US farmers had to learn more about risk management, biotechnology, computers, precision farming and business management to survive.

The new era of agriculture, following the passage of this year's reforming farm bill, would create "an astounding realignment" in farmer numbers. Currently, just over 80 per cent of the value of US farm commodities is produced by about 20 per cent of farmers.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1377-78	1406-7
Previous	1394.5-95.5	1423-24
High/low		1414/1398
AM Official	1372-2.5	1402-2.5
Kerb close		1408-9
Open int.	226,520	
Total daily turnover	72,961	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1230-35	1256-60
Previous	1245-50	1270-75
High/low		1280/1260
AM Official	1230-35	1261-3
Kerb close		1275-80
Open int.	6,037	
Total daily turnover	1,026	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	723.5-4.5	730-1
Previous	739-40	746-7
High/low		742/729
AM Official	730.5-1.0	737-7.5
Kerb close		736-7
Open int.	39,336	
Total daily turnover	11,654	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7180-90	7290-300
Previous	7305-15	7415-20
High/low	7221/7220	7420/7280
AM Official	7215-20	7320-30
Kerb close		7340-50
Open int.	45,498	
Total daily turnover	23,479	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5860-70	5925-30
Previous	5840-50	6000-05
High/low	5840	5965/5915
AM Official	5840-50	5915-20
Kerb close		5925-30
Open int.	15,408	
Total daily turnover	3,699	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1017-8	1041-2
Previous	1028.5-29.5	1053-54
High/low		1049/1042
AM Official	1020-21	1044.5-5.0
Kerb close		1041-2
Open int.	73,659	
Total daily turnover	43,794	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1937-9	1921-2
Previous	2061.5-63.5	2029-30
High/low	1985/1980	2012/1920
AM Official	1980-81	1962-3
Kerb close		1925-7
Open int.	186,176	
Total daily turnover	106,739	

■ LME AM Official £/$ rate: 1.6072
LME Closing £/$ rate: 1.6125
Spot: 1.6101 3 mths: 1.6081 6 mths: 1.6064 9 mths: 1.6041

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	86.50	-4.50	89.00	84.00	637	880
Nov	91.10	-4.85	93.00	90.80	573	2,285
Dec	90.40	-5.85	95.50	89.70	9,151	26,301
Jan	89.50	-4.75	89.50	89.50	95	1,808
Feb	89.00	-4.45	90.70	88.40	7	980
Mar	88.10	-4.45	92.85	87.20	2,747	11,168
Total					13,469	60,513

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.30-381.70		
Opening	382.70-383.00		
Morning fix	382.35	237.928	479.199
Afternoon fix	381.70	237.272	478.957
Day's High	382.70-383.10		
Day's Low	381.20-381.70		
Previous close	383.00-383.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.22	6 months	3.38
2 months	3.21	12 months	3.52
3 months	3.23		

Silver Fix	p/troy oz.	US cts equiv.
Spot	304.45	489.50
3 months	308.80	495.80
6 months	312.95	501.95
1 year	321.80	514.55

Gold Coins	$ price	£ equiv.
[illegible]	381-384	237-239
[illegible]	395.45-398.95	
[illegible]	89-92	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	380.4	-2.8	383.7	383.2	4	6
Dec	381.6	-3.0	384.7	381.5	7,948	100.3k
Feb	383.6	-3.0	386.4	383.4	291	16,902
Apr	385.7	-3.0	387.4	385.6	102	10,868
Jun	388.0	-3.0	390.0	387.7	236	11,131
Aug	390.3	-3.1	391.8	390.8	55	4,427
Total					8,955	187,847

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	383.7	-4.7	389.0	383.1	848	19,310
Apr	386.3	-4.7	390.0	386.9	52	7,904
Jul	389.3	-4.7	390.0	390.0	8	919
Oct	392.6	-4.9	398.0	393.5	1	27
Total					3,748	28,184

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	116.05	-1.55	117.30	116.00	190	7,438
Mar	117.15	-1.55	117.50	117.50	1	451
Jun	118.20	-1.55	120.75	120.75	-	116
Total					184	7,966

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	479.7	-10.6	482.5	480.5	17	12
Dec	482.0	-11.0	494.0	481.0	2,437	63,286
Jan	484.0	-11.0	-	-	-	26
Mar	488.9	-11.1	496.0	488.0	94	13,241
May	493.2	-11.4	502.5	493.0	69	6,614
Jul	497.6	-11.6	507.0	498.0	11	5,130
Total					2,956	95,444

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	24.30	-0.55	24.78	24.11	50,676	100.3k
Jan	23.90	-0.46	24.34	23.70	18,010	51,800
Feb	23.50	-0.38	23.85	23.30	5,289	36,327
Mar	23.00	-0.36	23.29	22.90	3,597	23,019
Apr	22.55	-0.33	22.80	22.42	3,385	15,689
May	22.14	-0.29	22.15	22.10	1,240	11,230
Total					83,299	401,364

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	23.70	-0.48	24.12	23.62	15,509	71,818
Jan	23.28	-0.32	23.58	23.17	12,426	40,586
Feb	22.76	-0.19	22.92	22.55	5,012	24,248
Mar	22.12	-0.16	22.27	21.93	2,198	26,234
Apr	21.45	-0.22	21.70	21.35	2,382	9,455
May	20.85	-0.25	20.90	20.85	50	4,196
Total						

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	69.75	-1.71	71.40	69.40	13,721	18,517
Dec	70.00	-1.55	71.50	69.50	14,054	41,871
Jan	69.75	-1.30	71.05	69.35	3,225	29,739
Feb	68.50	-0.85	69.50	68.00	3,027	14,224
Mar	65.75	-0.80	66.70	65.20	723	8,348
Apr	62.00	-0.70	62.15	61.80	288	5,188
Total					37,502	138,247

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	223.25	-3.75	226.00	222.00	6,577	30,693
Dec	218.00	-3.75	220.25	217.00	5,872	23,869
Jan	214.00	-3.25	215.50	213.25	1,146	19,431
Feb	208.25	-3.25	209.25	207.50	881	6,398
Mar	201.00	-3.00	201.75	200.50	250	5,770
Apr	193.75	-3.00	194.25	193.50	160	4,202
Total					12,217	161,628

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.770	+0.039	2.795	2.660	22,635	40,727
Jan	2.760	+0.051	2.770	2.655	8,822	23,855
Feb	2.540	+0.025	2.560	2.475	3,337	13,155
Mar	2.360	+0.025	2.390	2.300	1,474	9,498
Apr	2.170	+0.005	2.185	2.150	583	5,307
May	2.065	+0.005	2.090	2.070	302	4,689
Total					83,897	147,824

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	68.60	-1.70	70.00	68.00	14,024	15,244
Dec	66.35	-0.98	67.15	65.70	12,856	24,377
Jan	64.65	-0.89	65.60	64.50	3,013	12,406
Feb	64.55	-0.64	65.25	64.30	444	4,132
Mar	64.80	-0.49	64.80	64.70	122	2,283
Apr	66.50	-0.59	66.95	66.30	120	2,385
Total					25,686	63,389

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	97.80	+0.15	98.00	98.00	8	250
Jan	99.90	+0.50	100.15	99.85	90	2,252
Mar	100.90	+0.60	101.25	101.00	23	1,834
May	102.25	+0.50	102.30	102.10	48	1,459
Jul	103.75	+0.50	103.75	103.75	10	176
Nov	98.00	+0.50	-	-	-	138
Total					179	6,248

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	384.50	+2.25	387.50	379.00	8,943	33,228
Mar	376.00	-0.75	379.50	374.00	3,405	16,033
May	362.00	-0.25	365.50	361.50	253	2,061
Jul	352.50	+0.75	354.50	351.00	591	10,091
Sep	356.00	+1	355.00	355.00	8	285
Dec	364.00	+2	364.00	364.00	24	176
Total					13,219	61,928

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	274.50	-0.75	275.50	272.25	37,827	139,885
Mar	280.50	-0.25	281.75	277.50	13,858	88,190
May	286.25	-	287.25	283.25	4,113	41,584
Jul	289.25	+0.25	290.00	285.75	6,432	33,295
Sep	283.50	+0.5	283.75	280.00	161	3,544
Dec	281.25	+0.5	281.75	278.00	4,729	26,225
Total					68,193	334,155

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	93.50	-0.25	93.75	93.75	3	332
Jan	95.25	+0.25	95.50	95.50	9	778
Mar	96.75	+0.25	-	-	-	196
May	98.00	-	98.25	98.25	5	93
Sep	93.00	-	-	-	-	1
Total					17	1,494

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	698.50	-3.75	703.75	695.00	33,906	44,700
Jan	698.25	-5.25	704.00	694.00	20,432	58,277
Mar	703.00	-5.5	709.25	698.50	8,347	31,043
May	705.75	-4.75	709.50	700.50	3,074	16,562
Jul	708.25	-4.25	714.00	703.50	3,152	14,645
Aug	706.00	-4.5	707.00	702.50	511	1,871
Total					68,332	175,374

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	23.10	-0.03	23.20	22.93	5,914	49,139
Jan	23.33	-0.07	23.40	23.20	3,316	17,870
Mar	23.72	-0.06	23.78	23.56	1,889	17,030
May	24.05	-0.08	24.10	23.85	653	9,346
Jul	24.30	-0.15	24.35	24.15	108	3,779
Aug	24.35	-0.15	24.50	24.25	89	1,271
Total					11,971	169,632

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	228.9	-1.1	230.1	227.2	10,070	40,987
Jan	224.4	-1.4	226.0	222.9	2,595	10,292
Mar	220.2	-1.8	222.0	219.1	2,088	18,332
May	218.4	-1.3	219.5	217.2	566	9,576
Jul	218.8	-1.1	219.8	217.3	246	5,276
Aug	218.5	-0.5	218.5	217.0	157	1,453
Total					15,749	87,169

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	32.5		-	-	-	2
Mar	69.5	+0.2	-	-	-	-
Apr	71.5	+0.2	72.5	71.5	28	1,313
May	80.5	+0.2	-	-	-	17
Jun	90.5	+0.2	-	-	-	-
Total					28	1,359

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	1275	-10	-	-	-	717
Nov	1347	-8	1370	1347	51	521
Dec	1305	-13	1330	1305	33	388
Jan	1298	-11	1320	1300	25	1,988
Apr	1305	-15	1330	1310	15	673
Jul	1129	-1	1135	1129	20	183
Total					144	4,467

	Close	Prev
BFI	1238	1238

FUTURES DATA
All futures data supplied by CMS.

Minor Metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 2,000-2,050 (2,050-2,150). Bismuth: min. 99.99%, tonne lots 3.20-3.50 (3.20-3.55). Cadmium: min. 99.95%, cents a pound, 70-75. Cobalt: MB free market, min. 99.8%, 21.00-21.70 (21.20-22.20); min. 88.3%, 19.60-20.60 (20.00-21.20). Mercury: min. 99.99%, $ per 76 lb flask, 162-172. Molybdenum: drummed molybdic oxide, 4.00-4.30 (4.20-4.50). Selenium: min 99.5%, 2.90-4.00. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 40-53. Vanadium: min. 98%, cif, 3.10-3.25. Uranium: Nuexco unrestricted exchange value, 15.25.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	932	+4	937	923	1,389	27,784
Mar	961	+6	966	955	1,916	42,866
May	976	+7	980	971	480	16,416
Jul	992	+6	995	987	83	12,146
Sep	1008	+8	1010	1002	126	5,008
Dec	1019	+7	1023	1015	129	4,539
Total					4,258	132,128

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1355	+9	1366	1350	4,299	24,109
Mar	1388	+14	1394	1381	3,966	25,289
May	1405	+14	1412	1403	493	9,014
Jul	1420	+10	1423	1420	134	6,529
Sep	1434	+13	1438	1434	35	5,785
Dec	1455	+13	-	-	1	800
Total					8,926	80,489

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Oct 28		
Daily	1010.50	1015.41

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1522	-2	1534	1516	1,713	6,340
Jan	1400	+9	1405	1392	1,559	14,910
Mar	1333	-4	1342	1331	517	8,018
May	1315	-1	1325	1315	225	3,023
Jul	1318	+2	1325	1318	106	433
Sep	1320	+4	1322	1322	33	114
Total					4,157	33,810

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	116.35	-2.75	123.00	115.75	4,537	12,497
Mar	105.00	-0.85	107.70	104.75	2,791	9,338
May	102.85	-1.15	104.60	103.10	1,563	3,631
Jul	101.90	-1.35	103.85	102.00	258	993
Sep	101.75	-0.50	101.00	101.00	35	622
Dec	102.15	-1.25	102.75	102.75	145	403
Total					9,183	27,564

■ COFFEE (ICO) (US cents/pound)

Oct 28	Price	Prev. day
Comp. daily	100.46	99.55
15 day average	99.28	99.16

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	314.2	-0.5	315.0	313.7	636	8,236
Mar	310.3	-0.9	311.6	310.0	586	12,333
May	311.0	-0.3	311.7	310.7	170	4,346
Aug	313.0	-0.7	314.0	312.2	79	1,736
Oct	305.9	+0.1	307.5	308.0	16	996
Dec	310.1	+0.7	310.5	309.5	13	284
Total					1,817	27,893

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.49	-0.05	10.54	10.42	8,373	84,773
May	10.58	-0.03	10.59	10.50	1,280	29,250
Jul	10.48	-0.05	10.53	10.44	467	18,064
Oct	10.47	-0.05	10.51	10.43	893	10,748
Mar	10.46	-0.04	10.50	10.45	238	3,456
May	10.46	-	10.47	10.45	13	667
Total					11,264	148,305

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	72.73	-0.02	73.40	72.60	4,211	25,402
Mar	74.45	+0.15	74.95	74.30	1,171	13,300
May	75.45	+0.10	75.95	75.30	261	7,954
Jul	75.98	-0.05	76.60	76.25	419	6,744
Oct	76.28	-0.12	76.45	76.40	17	1,275
Dec	76.30	+0.09	76.60	76.30	60	4,490
Total					6,139	59,624

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	109.50	-4.30	110.50	109.50	491	5,682
Jan	101.25	-3.05	103.00	101.00	1,096	7,969
Mar	104.30	-1.70	105.00	104.00	97	4,157
May	107.00	-4.15	107.90	106.50	196	1,081
Jul	109.10	-4.15	109.50	109.50	1	538
Sep	110.60	-4.15	-	-	1	280
Total					1,883	19,792

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Oct 29	Oct 28	month ago	year ago
1870.2	1876.5	1882.7	2101.9

■ CRB Futures (Base: 1967 = 100)

Oct 28	Oct 25	month ago	year ago
243.33	243.26		

■ GSCI Spot (Base: 1970 = 100)

Oct 28	Oct 25	month ago	year ago
211.44	211.18	205.22	182.09

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	66.875	-	66.900	66.500	9,441	39,724
Feb	63.550	+0.025	63.800	63.450	2,554	18,367
Apr	65.075	+0.1	65.250	65.000	1,879	12,032
Jun	62.925	+0.15	63.075	62.850	640	5,354
Aug	62.500	+0.125	62.650	62.400	660	6,124
Oct	65.000	+0.125	65.125	64.850	117	2,988
Total					15,309	84,666

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	54.050	+0.175	54.200	53.575	4,323	15,277
Feb	74.025	+0.2	74.100	73.400	2,461	8,046
Apr	69.675	+0.125	69.900	69.350	807	3,002
Jun	74.275	+0.2	74.450	73.975	355	3,113
Jul	72.300	+0.1	72.500	72.050	22	755
Aug	69.075	+0.15	69.200	68.700	87	782
Total					8,076	31,382

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	69.400	-0.65	70.550	68.750	1,349	4,914
Mar	69.450	-0.5	70.400	68.500	152	476
May	70.800	-0.8	72.000	70.100	77	366
Jul	71.050	-0.625	71.675	70.500	19	151
Aug	70.000	-0.7	71.200	69.500	5	48
Total					1,597	5,956

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

	Nov	Feb	Nov	Feb
1300	88	130	0	17
1400	13	66	25	51
1500	-	27	112	111

■ COPPER (Grade A) LME

	Nov	Feb	Nov	Feb
1800	151	170	1	56
1900	65	113	14	97
2000	15	72	65	154

■ COFFEE LIFFE

	Nov	Jan	Nov	Jan
1500	23	21	123	188
1550	16	15	166	232
1600	12	10	212	277

■ COCOA LIFFE

	Dec	Mar	Dec	Mar
950	5	39	23	28
975	2	26	45	42
1000	1	19	69	58

■ BRENT CRUDE IPE

	Dec	Jan	Dec	Jan
2300	-	-	24	74
2350	100	-	-	-
2400	51	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$21.45-1.55x	-0.70
Brent Blend (dated)	$23.26-3.28	-1.185
Brent Blend (Dec)	$23.66-3.68	-0.845
W.T.I.	$24.27-4.32x	-0.965

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$235-237	-4
Gas Oil	$225-226	-3
Heavy Fuel Oil	$119-121	
Naphtha	$225-227	-1
Jet fuel	$252-254	-4
Diesel	$245-247	-4

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	13.70-3.80	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

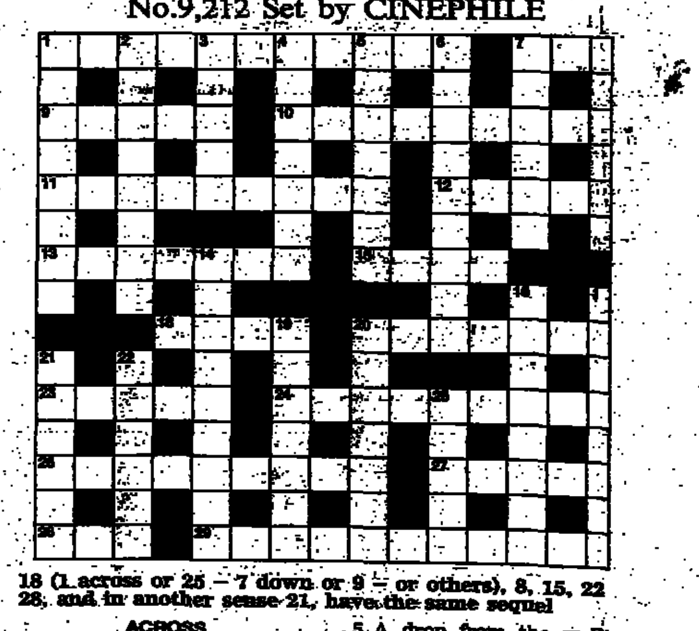
Gold (per troy oz)♣	$381.50	-1.65
Silver (per troy oz)♣	483.60c	-10.0
Platinum (per troy oz.)	$382.25	-1.25
Palladium (per troy oz.)	$115.50	-0.75
Copper	95.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.67r	-0.03
Tin (New York)	278.50	
Cattle (live weight)	97.86p	+0.26*
Sheep (live weight)	120.82p	+2.70*
Pigs (live weight)†	96.68p	-1.65*
Lon. day sugar (raw)	$264.90	-7.00
Lon. day sugar (wte)	$322.80	-3.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	82.50p	+0.75
Rubber (Dec)♥	82.50p	+0.75
Rubber (KL RSS No1)	310.0z	
Coconut Oil (Phil)§	$735.0v	
Palm Oil (Malay.)§	535,027.5z	+7.5
Copra (Phil)§	$440.0v	-9
Soyabeans (US)	204.0	
Cotton Outlook 'A' index	78.15	
Wooltops (64s Super)	420p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Dec v Oct/Nov z Nov ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,619 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,212 Set by CINEPHILE



18 (1 across or 25 – 7 down or 9 – or others), 8, 15, 22, 28, and in another sense 21, have the same sequel

ACROSS
1 Club by which guilt may be imputed (11)
7 Biblical book circulating in Bulgaria (3)
9 See 27
10 Bakers' fund-raiser takes call from Spooner (4,5)
11 Lose towel carelessly – polisher required (5,4)
12 I leave a girl, being an unpleasant parasite (5)
13 Dieters' fear: do what you are told about the situation (7)
15 Mean thing to build (4)
18 Measure with digits (4)
20 Pine for version of Aida with art (7)
23 Presidential apple? (5)
24 Mother ship with deserter I love: it all depends on rocket fuel (4,5)
26 Streaker strangely bonded with yak (5,4)
27, 9, 3 21,000 wedding at Cana and 21 between London and Birmingham (5,5,5)
28 The ultimate catcher? (3)
29 Declare small house in royal resort to be a mansion (7,4)

DOWN
1 Diving stunts etc. first suppress a cry of pain (8)
2 Shook and broke (5)
3 See 27
4 Moor, shirt half way to catch a small fish (7)
5 A drop from the waller modish knight bachelor throw (3,4)
6 Dean upset about mucky Salisbury having a twig (9)
7 Affiance in the distance (8)
8 Shoot all at once before hits the ground (6)
14 Club tests that fought a King's (9)
16 Hostile to entering coal in capital place for pilgrim? (8)
17 Preserve a singularly lax amount, pet (8)
19 Oat with fast, say: it's a battery (7)
20 Change design of what left before cathedral city comes up (7)
21 Cathedral official holds pole in a big gun (6)
22 Holder's request to suit wage (5)
25 Warmer near school? (5)

Solution 9,211

هكذا من الأهل

Nelson Gold to shut down Tajik venture

CROSSWORD

FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Odey European Gth Inc.	£88.07	—	—	
Odey European Gth Acc.	£88.31	—	—	

Old Mutual International Fd Mngrs Ltd (a)
6/11 Lower Mount Street, Dublin 2, Ireland 00 3531 6621665

OMI Galileo Euro Sterld	$1.362	(z)	0.00
OMI Galileo Em Asia Eq.	$0.867	—	0.00
OMI Galileo Emer Mkt Bd	$1.177	(z)	8.88
OMI Galileo Emer Mkt Eq	$1.038	(z)	0.00
OMI Galileo Glbl Mgd	$1.375	(z)	0.00
OMI Galileo Glbl Spec Mkt	$1.344	(z)	0.00
OMI Galileo Glbl Fixed Int	$1.088	(z)	5.37
OMI Galileo Hong Kong Stocks	$1.085	—	0.00
OMI Galileo Sth African Eq. 5	$0.879	(z)	0.00
OMI Galileo US Dollar Bd	$0.969	(z)	5.02
OMIFM UK Gilt Trust	£1.031	(z)	6.15

Berkshire KITC Growth Fund Plc

NAV Sep 13	$7.12	-0.22	-

Berkshire Korea Fund Plc

NAV	$4.78	+0.22	-

Blackstone Franks Managers Ireland Ltd

Blackstone Franks International Bond	£9.88	10.38	-0.04	-

Bordier Invest (Ireland) Ltd

Invest Korea Fd NAV Oct 25	$58.63	—	-

Buchanan Asset Management (Ireland) Ltd

Japan Performance B	$9.3022	—	-
UK Performance	£10.7680	—	-

Prolific International Fund Plc
63 Fitzwilliam Square, Dublin 2
Enquiries 0345 200665 Dealing 0800 200240

American F	258.0	-5.3	0.00
American F	$4.111	-0.057	0.00
Asia Pacific F	255.5	-4.5	0.00
Asia Pacific F	$4.103	-0.077	0.00
China Opportunities F	164.6	-2.8	0.00
China Opportunities F	$2.644	-0.026	0.00
European Growth F	300.0	-0.3	0.00
European Growth F	DM7.285	-0.022	0.00

CFP Interest Rate Arbitrage Fund Plc

NAV	$10.27	—	0.00

Calpine Fund

NAV	$106.41	+0.40	-

Capital Vision Fund Plc

NAV	$3.41	-0.46	-

Chase Manhattan see Chemical Ireland

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)
4 Rue Jean Monet, L-2180 Luxembourg 352 4249491320

	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity	$47.83	48.56	—	-
North America Equity	$78.84	78.23	—	-
Asian Tigers Equity	$90.86	91.27	—	-
Europe Equity	$73.20	73.57	—	-
Germany Equity	DM133.08	133.67	—	-
Japan Equity	$47.27	47.74	—	-
Europe Bond	$60.86	61.11	—	-
US Bond	$58.65	58.80	—	-
Global Bond	$50.85	51.03	—	-
Germany Bond B	DM108.52	108.79	—	-
Spain Bond	Pta9939	9984	—	-
Eastern Europe Equity F	DM178.39	178.67	—	-
China Equity F	$56.01	56.71	—	-
Switzerland Equity	SFr122.19	122.80	—	-

Abtrust Fund Mngrs Luxembourg SA (u)
4 Boulevard Royal L 2449 Luxembourg 00 352 227001
Abtrust Atlas Fund

	Selling Price	Buying Price	+ or -	Yield Gr's
Global Cap Portfolio	$3.700		-0.012	-
United States Portfolio	$5.400		-0.039	-
Conti Europe Portfolio	DM6.336		+0.023	-
Japan Portfolio	Y2.568		-0.011	-
Pacific Portfolio	$6.491		-0.040	-
Gold Portfolio	$6.249		+0.029	-
UK Growth of Income	£2.123		+0.003	3.81
Dollar Portfolio	$1.909		+0.002	7.03
Sterling Portfolio	£1.106		—	6.30

Aetna Master Fund (u) (x)
21 avenue de la Liberte, L-1931, Lux 00 352 479 98500

Fidelity Funds - Contd.
Country Select Funds

	Selling Price	Buying Price	+ or -	Yield Gr's
ASEAN	$19.36		-0.28	-
Asian Special Situations	$10.50		-0.13	-
Australia	A$18.56		+0.07	1.78
Emerging Markets	$8.313		-0.048	-
European Gro Cos F	DM13.88		-0.01	-
France	FFr88.95		-0.07	-
Germany	DM21.27		+0.11	-
Hong Kong	$49.92		-0.40	0.69
Iberia	Pta1885		-1	-
Indonesia	$9.850		-0.118	-
Italy	L14192		-20	-
Japan Smllr Cos	Y1044		—	-
Korea F	$8.575		-0.102	-
Latin America	$8.368		-0.004	0.54
Malaysia	$34.06		-0.53	-
Nordic	SKr185.3		+0.6	-
Singapore	$24.23		-0.09	-
Switzerland	SFr14.93		+0.03	-
Thailand	$27.20		-0.24	-
United Kingdom	£7.140		—	-
Bond Funds				
European	Ecu11.13		+0.02	5.74
International	$1.051		—	5.35
US Dollar	$6.608		+0.006	5.79
Sterling	£0.256		+0.001	8.23
Yen	Y1887		+3	2.44
Balanced				
European Balanced	DM12.81		+0.02	1.92

Prices as at October 28

Fleming Group (u)
6 Route De Treves L-2633 Senningerberg Luxembourg
00 352 34101 or 0800 960 264

Mercury Asset Management S.A. - Contd.

	Selling Price	Buying Price	+ or -	Yield Gr's
Emerging Markets	$11.41	12.02	-0.09	0.00
Gold & Mining	$10.38	10.92	-0.15	0.00
Australian & New Zealand	$24.75	26.07	-0.17	0.00
Eastern European	DM36.92	38.88	-0.60	0.00
European	$39.93	42.04	-0.38	0.00
Japan	$20.33	21.41	+0.14	0.00
Latin American	$9.10	9.59	-0.08	0.00
North American	$42.81	45.18	-0.46	0.00
Pacific	$18.59	19.58	-0.14	0.00
Singapore & Malaysian	$29.29	30.84	-0.19	0.00
United Kingdom	$40.52	42.67	-0.56	0.00
Asian Opps	$25.93	27.30	-0.13	0.00
European Opps	$32.67	34.40	-0.03	0.00
Global Opps	$11.02	11.61	-0.10	0.00
Japan Opps	$17.89	18.63	+0.07	0.00
North American Opps	$42.84	45.10	-0.27	0.00
United Kingdom Opps	£18.50	19.48	-0.07	0.00
DM Reserve	DM112.40	112.50	-0.01	0.00
Dollar Reserve	$105.60	105.64	—	0.00
Sterling Reserve	£116.14	116.15	-0.03	0.00
Swiss Franc Reserve	SFr107.91	107.95	-0.02	0.00

Midland Intl Circuit Fund SICAV(u)
PO Box 26, St Helier, Jersey 01534 606000

Aetna International Umbrella Fund - Contd.

Alliance Capital

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Alatalta Capital Management Ltd				
Alatalta Growth Fund and Unit Trust				
Class A	$97.05	100.05	—	-
Class B	$97.05	100.05	—	-
Alpha Fund Management Ltd				
Alpha Europe Sep 30	Ecu284.06		—	-
Alpha Futures Sep 30	$238.21		—	-
Alpha Global Sep 30	$888.19		—	-
Alpha Atlas Sep 30	$108.39		—	-
Alpha Atlas Fd Ltd NYG Cl	$140.29		—	-
Alpha Atlas Tads Class Aug 31	$113.76		—	-
Alpha Hedge Class A Aug 31	$535.56		—	-
Alpha Hedge Class B Aug 31	$134.24		—	-
Alpha Hedge Class C Aug 31	$135.70		—	-
Alpha Latin Am Aug 31	$387.48		—	-
Alpha Pacific Sep 30	$337.98		—	-
Alpha Short Aug 31	$90.66		—	-
Alpha Tiltable Sep 30	$230.85		—	-
A Worthington Sep 30	$199.86		—	-

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
A Shares	$10.29		—	-
B Shares	$10.31		—	-
Worldwide Limited				
NAV Sep 30	$74.95		—	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$10.28		—	-
Xiphias Int ECU Acc	Ecu1 4829		—	-
Zuerich Lombardier Ltd				
NAV Sep 30	$199.25		—	-
Zulauf Investment Management AG				
Zulauf Europa Ltd NAV Oct 18	DM116.090		—	-
Zweig–DiMenna International Limited				
NAV Sep 30	$15195		—	-

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.

Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:

Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(♥) 0001 to 1100 hours
(♦) 1101 to 1400 hours
(▲) 1401 to 1700 hours
(♣) 1701 to midnight.
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
k Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
v Offered price includes all expenses except agent's commission.
z Previous day's price.
§§ Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
♦ Yield column shows annualised rate of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	479	-5½	558	419	4,970	6.2	16.1
[illegible]	[illegible]	528	–	625	[illegible]	274.8	3.7	17.4
[illegible]	[illegible]	69	–	146	[illegible]	40.9	6.2	ϕ
[illegible]		755		775	600	87.9	2.0	19.3
[illegible]	[illegible]	470	-5½	495	[illegible]	9,885	4.1	20.0
[illegible]	[illegible]	449	[illegible]	512	[illegible]	8,575	4.2	13.9
[illegible]	[illegible]	330	[illegible]	378	315	440.6	3.2	15.6
[illegible] Cnv Bds		99		101	95	–	–	–
[illegible]		653	[illegible]	879	[illegible]	6,875	0.6	26.6
Matthew Clark	[illegible]	315	-15	803	277	278.8	9.5	15.0
[illegible]	[illegible]	110	[illegible]	141	33	12.0	5.1	10.1
Seagram $		822	[illegible]	925	820	6,133	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	50		50	50	6.31	19.8	–
Cater Allen	[illegible]	401	-15	462	375	130.9	9.5	11.9
Close Bros	[illegible]	329	–	392	307	397.1	3.8	12.3
Gerrard & Nat	[illegible]	284	–	472	263	129.1	10.9	10.8
Hambros	[illegible]	246	[illegible]	267	193	436.6	3.8	–
[illegible]		110	[illegible]	119	94	142.3	8.5	–
[illegible]	[illegible]	171		197	112	45.1	6.6	14.9
[illegible]	[illegible]	465	+10	465	405	24.6	5.2	16.8
[illegible]	[illegible]	67	[illegible]	67	44	30.2	2.0	24.6
[illegible]	[illegible]	1385	-10	1465	1185	2,091	1.6	15.7
[illegible]	[illegible]	1167	[illegible]	1205	890	513.7	1.9	13.3
[illegible]	[illegible]	[illegible]	[illegible]	134	99	240.8	4.2	9.3

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

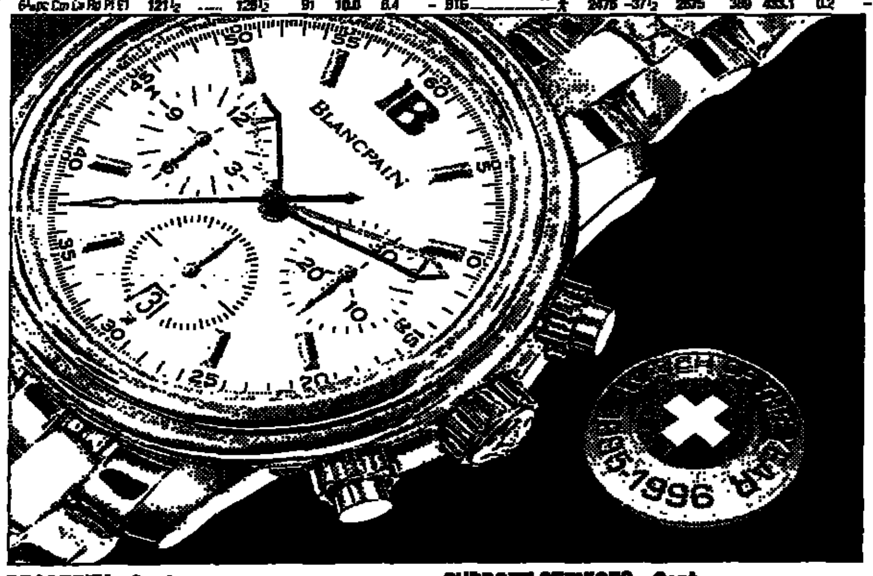
OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY



PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, FOOD - Cont.

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	g	£21½xd	---	*£34¼	£21½	1,724	3.4	Φ
Barlow	$†	25⅞	-⅜	£10¾	£5⅝	1,084	2.2	-
Gold Flds Prop R		126¼	+2	170	120	12.9	6.3	10.6
NK Props.		82	---	96	80	2.49	13.7	-
SASOL	♥	645	---	710	475	3,777	1.6	-
SA Brews		£15⅞	-⅛	£26¼	£15⅞	4,805	2.1	Φ
Standard Bank		£23¼	-⅛	£32¼	£22¾	2,807	1.5	21.6
Tiger Oats	†	790	---	1270	770	1,188	1.9	17.4
Tongaat-Hulett		780¼xd	+1	1247	735	720.2	2.3	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 21(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
payment.
I Indicated dividend yield, p/e ratio based on latest annual earnings.
n Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
B Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution

LONDON STOCK EXCHANGE

Chilling signals blow across from Germany

MARKET REPORT

By Peter John

Following the heaviest winds since the 1987 hurricane, London's marketmakers battened down the hatches against the possibility of some stormy financial weather.

To begin with, the Dow Jones Industrial Average was off 37 points at Monday night's close. Then, yesterday morning, Germany's six leading economic research institutes said a tightening of interest rates should be considered if the growth of M3 – the country's main measure of money – remained above target.

Their comments follow hints from the Bundesbank last week that the downward rate trend may be over.

Brokers with long memories and a superstitious nature were recalling that it was a German interest rate rise which sparked off the 1987 crash.

Closer to home, government bonds were initially weaker on the back of stronger than expected net new consumer credit data for September. Credit was up a net £1.067bn against a consensus forecast of £830m.

Mr Neil Parker, economist with the Royal Bank of Scotland, said the strength of the consumer credit data was just one more piece of evidence suggesting the economy was "really beginning to motor". Also, UK M4 grew at 9.9 per cent against expectations of 9.6 per cent.

Although the FTSE 100 index recovered from the low point reached just before lunchtime, it still ended the day 31.8 down at 3,993.5 with falling stocks leading risers by 69 to 25. The FTSE 250 index dipped 8.4 to 4,434.7.

There was some support from Wall Street early in the afternoon on the back of lower than expected data for labour costs, but that evaporated later.

Even the late rumour of a bid for Pearson, the media conglomerate, and some good figures from Thames Water failed to excite the market.

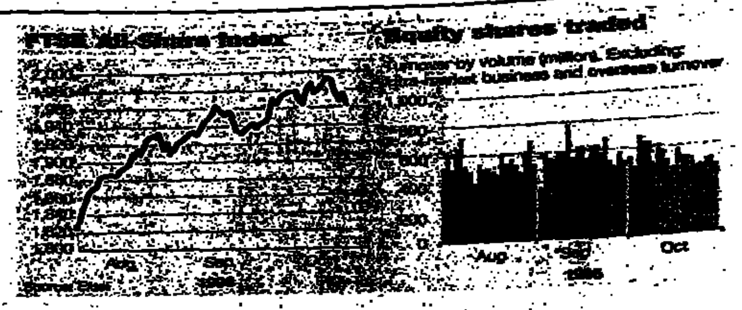
And the focus soon shifted back to today's monetary policy meeting between the chancellor of the exchequer and the governor of the Bank of England. NatWest economist Mr Geoffrey Dicks summed up the feeling of many specialists when he said: "The heart says one thing, the head says the other. We think the chancellor should raise rates back up to 6 per cent this week. We also think he won't."

Economists and analysts are also anxiously awaiting figures from four big Footsie companies – Shell Transport, BAT Industries, Sainsbury and Pilkington – which between them represent 7 per cent of the blue chip index.

If a couple of those companies disappoint, the results could trigger profit-taking from fund managers.

Overall turnover yesterday of 694.3m shares was up on Monday's level of 641.4m shares, when genuine customer business was worth £1.2bn. Non-Footsie turnover represented 64 per cent of the total.

Tradepoint Financial Networks, the order-matching dealing system, was also active, with a deal of 2m Sears shares capping the group's best month since dealing began more than a year ago.



Indices and ratios

FTSE 100	3993.5	–31.8
FTSE 250	4434.7	–8.4
FTSE 350	1989.5	–13.3
FTSE All-Share	1963.50	–12.38
FTSE All-Share yield	3.77	3.76
FT 30	2819.3	–20.1
FTSE Non-Fins p/e	18.11	18.21
FTSE 100 Fut. Dec	4016.0	–36.0
10 yr Gilt yield	7.55	7.56
Long gilt/equity yld ratio	2.10	2.11

Best performing sectors

1. Water .... +0.6
2. Distributors .... +0.5
3. Breweries: Pubs & Rest .... +0.2
4. Other Financial .... +0.1
5. Chemicals .... +0.0

Worst performing sectors

1. Pharmaceuticals .... –2.1
2. Life Assurance .... –1.4
3. Consumer Goods .... –1.1
4. Banks: Retail .... –1.1
5. Retailers: Food .... –1.0

Lonrho up on Bock sell-out

By Joel Kibazo, Lisa Wood and Ramraj Gogna

Industrials group Lonrho returned to the limelight after Mr Dieter Bock announced he was stepping down as chief executive and selling his 18.3 per cent stake to South African giant Anglo American.

Following an agreement made earlier this year, Mr Bock exercised an option to sell his holding of 143m shares to Anglo at 180p a share. Under the terms of the agreement, Anglo had the right to buy Mr Bock's shares at 220p each while he had the option to sell his shares to the South African group at 180p. The sale lifts Anglo's holding in Lonrho to 25.9 per cent.

The announcement, which came in the last hour of trading, initially led to the return of speculation that Anglo was considering a full-scale bid for the UK group. The talk helped lift the shares and they hardened 4½ to 163¼p. However, Anglo said in a later statement that it had no plans to make such a move.

Several brokers sounded cautious noises following the news and one said: "This now puts a ceiling of 180p a share on this stock."

Mr Richard Rae at ABN Amro Hoare Govett is also cautious on Lonrho and said: "If Anglo American is not going to bid and Mr Dieter Bock is selling out, this does not send a positive signal to other investors."

Pearson, the media group which owns the Financial Times, was the best performer in the FTSE 100, climbing 18½ to 756½p. The price rose gradually during the day for a variety of reasons, including a continuing boost from the view of Mr Derek Terrington, media analyst at Teather & Greenwood, that the stock should be bought.

But the price received a final lift late in the day when rumours circulated that Carlton Communications was preparing a bid. One analyst said a bid from Carlton was not impossible, but highly unlikely. Sources close to Carlton, which softened 2 to 503p, rejected any suggestion of a bid.

A number of regional newspapers traded higher including Midland Independent Newspapers, which strengthened 4½ to 129p, and Trinity International, which climbed 6½ to 422p.

Pharmaceuticals group British Biotech was by far the day's busiest trade after Morgan Grenfell carried out a large trade in the stock.

Turnover rose to 50m after Morgan sold 22m from funds formerly managed by ex-fund manager Mr Peter Young. Morgan Grenfell was said to have sold the shares at 210p a share to Morgan Stanley which, in turn, placed the stock at 213p.

Following the trade, shares in the group tumbled 20 to 220½p, making them the worst performer in the FTSE 250 index.

The rise and rise of Zeneca finally lost some momentum after the group announced nine-month sales that may have been up by 14 per cent against the same period last year, but were only in line with analysts forecasts. The shares fell 36½ to 1711½p.

HSBC fell 19 to 1272p in the ordinaries as Panmure Gordon decided the stock was overbought and advised clients to take profits.

Thames Water lifted 7½ to 552½p as the company delighted the market with a 22 per cent rise in the interim dividend and profits above forecasts.

Shares in mobile phone company Vodafone Group firmed 3 to 233½p following a broker's recommendation.

ABN Amro Hoare Govett reiterated its buy stance on the stock saying it expects imminent management changes to be followed shortly afterwards by some favourable strategic decisions.

Earlier this month, Vodafone appointed Mr Chris Gent as chief executive and analyst Mr Jim Ross said: "We think Chris Gent will think of new initiatives and, once he begins to run the company on a day-to-day basis, the impact will become visible in the company's strategy." Volume was 8.3m by the close.

Elsewhere in the sector bid talk continued to boost General Cable. The shares put on 3½ to 211p with some 5.2m shares having changed hands during the course of the session.

Heavy profit-taking in Cable & Wireless brought turnover of 8.3m. The shares eased 1½ to 485p. BT followed the general market trend and closed 5½ off at 350p.

Dalgety fell 8 to 313½p with analysts given a trading update on a visit to the group's pet food plant in France. There were also reports that one broker is predicting Dalgety will cut its dividend at the half-way mark.

A number of building stocks fell on continuing fears over the strength of the German economy. Redland fell 6½ to 433½p and RMC fell 17½ to 1112½p. Fears about the possibility of a UK interest rate rise today affected a number of retailers including Kingfisher, which fell 7½ to 638p, and Great Universal Stores, which slipped 14 to 604½p.

Concerns that Marks & Spencer may still enter the over-the-counter medicine market resulted in Boots falling 9 to 628½p. M&S, which has said it is only going into a small number of lines including vitamins, softened 1¼ to 522p.

Matthew Clark, the drinks company which issued a profits warning in September, rose 15 to 315p after the company said it expected to declare a maintained interim and announced the creation of a new post of marketing director, a main board appointment.

Analysts said this was good news, particularly if advertising spend was to be increased on the main brands. Analysts suspect a reduction in advertising spending at Matthew Clark was one of the reasons behind falling sales of its premium cider brands. Matthew Clark blames the growth of alcopops.

Allied Domecq rose 5¾ to 479p and Grand Metropolitan fell 5½ to 470p with Kleinwort Benson recommending profit-taking in Grand Metropolitan and a switch into Allied on grounds of rating.

The market responded well to the plans by Flextech, the cable and satellite TV company, for eight new channels in a joint venture with the BBC.

The shares rose 21 to 611p, making them the second-best performers in the FTSE 250 index.

Electronics supplier Pressac jumped 12½ to 217½p on the back of a 40 per cent profits boost.

Aspen Communications, a USM paper and packaging company, fell 17½ to 135p, a three-year low, with suggestions that some market makers were awash with stock and trying to find a level for support.

FT 30 INDEX

	Oct 29	Oct 28	Oct 25	Oct 24	Oct 23	Yr ago	*High	*Low
FT 30	2819.3	2839.4	2834.1	2819.5	2831.3	2589.5	2885.2	2668.8
Ord. div. yield	4.03	4.01	4.01	4.03	4.01	4.11	4.22	3.76
P/E ratio net	17.10	17.22	17.20	17.13	17.19	15.57	17.46	15.80
P/E ratio nil	16.94	17.06	17.04	16.97	17.03	15.38	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2827.4	2828.7	2827.7	2824.3	2822.2	2817.0	2823.0	2820.7	2821.4	2831.8	2816.9

	Oct 29	Oct 28	Oct 25	Oct 24	Oct 23	Yr ago
SEAQ bargains	38,313	42,436	34,484	33,898	35,494	24,888
Equity turnover (£m)†	–	1205.2	1481.1	1463.2	1630.2	1182.4
Equity bargains†	–	32,561	28,340	27,635	29,223	29,353
Shares traded (mil)†	–	423.2	458.6	510.5	506.8	486.6

†Excluding intra-market business and overseas turnover.

	Oct 29	Oct 28	Oct 25	Oct 24	Oct 23	Yr ago	*High	*Low
FTSE AIM	1021.70	1022.20	1021.90	1011.90	1009.40	–	1140.40	965.70

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	459	Total Highs	59	Total contracts	43,019
Total Falls	793	Total Lows	112	Calls	17,510
Same	1,354			Puts	25,509

Oct 29 *Data based on Equity shares listed on the London Share Service.

Models courtesy of the LEGO Group

SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.

UNHCR

United Nations High Commissioner for Refugees

We're not even asking for money (though every cent certainly helps).

But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
P.O. Box 2500
1211 Geneva 2, Switzerland

INT

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4025.0	4016.0	–36.0	4034.0	4005.0	13731	62769
Mar		4030.0	–36.0			0	695
Jun		4045.0	–36.0			0	1294

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4450.0	4450.0	–11.8	4450.0	4450.0	100	3671

FTSE 100 INDEX OPTION (LIFFE) (*3993) £10 per full index point

[illegible]

Calls 10,259 Puts 5,891

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3825		3875		3925		3975	
Nov	181	4½	135	8½	92	15½	55	28
Dec	266½	20½	198	28	129½	38	95	54
Jan	238	30	189	39	151½	51½	117½	67½
Mar	289½	60			188	86½		
Jun†	367½	96			261½	126		

Calls 2,140 Puts 10,095 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§3	F.P.	7.55	4	4	†Beechcroft	4		–	–	–	13.2
§135	F.P.	47.1	162½	152½	Charles Taylor	161½		L4.2	0.3	3.3	31.3
150	F.P.	29.5	169½	160½	Deltron Electn	160½		W2.76	2.9	2.1	15.2
§146	F.P.	38.8	246	148	†Elec Retail Sys	160½	-10	–	–	–	–
§	F.P.	11.4	316	305	†Eurasia Mining	305		–	–	–	–
§60	F.P.	24.9	92½	90½	†Fitness First	90½		bW–	–	–	26.3
100	F.P.	103.5	113½	109½	†Geo Inter Med	109½		–	–	–	–
§	F.P.	–	127	111½	Harlstone 8%	121		–	–	–	–
§100	F.P.	24.9	99½	98	Hlthcare Reform	99½		–	–	–	–
:	F.P.	1,909	429	365½	Imperial Tobacco	365½	–3	W20.0	2.5	6.8	7.3
§	F.P.	56.2	177	165½	Interoute Telecm	165½		–	–	–	–
§285	F.P.	136.5	310	292½	John D Sports	293½	–1½	L4.3	2.5	1.8	27.6
§140	F.P.	33.0	160½	145½	Lavendon	155		R3.4	3.8	2.7	12.1
72	F.P.	27.8	79½	73½	†Loftus Road	75	–½	–	–	–	–
–	F.P.	42.9	131½	128	Lomond Undwting	130	–½	–	–	–	–
§10	F.P.	4.32	12¼	11¼	†Meters Group	12		K0.2	–	2.1	–
–	F.P.	964.4	£18⅞	£12⅝	Millennium Chem	£12⅝	–⅛	Q60c	–	2.9	–
§154	F.P.	18.6	211½	167½	Oriental Rest	205½		–	–	–	23.2
170	F.P.	1,621	177	168	Thistle Hotels	168½	–1	R3.7	2.5	2.7	18.2
§250	F.P.	194.0	302	282½	Ultra Elctn	298½	–1½	RW5.5	2.2	2.7	20.2
§	F.P.	102.3	82	52	†Victory Corp	54	–1	–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 29	% chg on day	Oct 28	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1916.85	+0.1	1914.37	1738.98	1.57	–	2229.73	1722.93
Regional Indices								
Africa (13)	2471.88	+0.7	2455.52	2352.96	3.14	35.84	3554.86	2272.74
Australasia (6)	2158.11	–1.3	2185.16	2213.22	2.57	21.11	2927.34	2005.75
North America (12)	1728.98	+0.2	1725.12	1495.04	0.74	64.54	2185.39	1495.94

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Oct 29	Day's chge%	Oct 28	Oct 25	Oct 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	3993.5	–0.8	4025.3	4022.4	3999.4	3529.1	3.91	2.05	15.62	153.20	1662.13
FTSE 250	4434.7	–0.2	4443.1	4431.5	4424.5	3894.3	3.51	1.50	23.73	158.78	1806.18
FTSE 250 ex IT	4475.8	–0.2	4482.9	4469.3	4461.3	3914.8	3.61	1.52	22.74	167.18	1829.11
FTSE 350	1989.5	–0.7	2002.8	2000.8	1990.9	1755.9	3.82	1.94	16.86	75.28	1691.77
FTSE 350 Higher Yield	1888.8	–0.7	1899.9	1896.9	1884.5	1752.8	5.13	1.83	13.33	97.00	1352.38
FTSE 350 Lower Yield	2098.4	–0.6	2112.9	2111.3	2104.3	1763.6	2.56	2.14	22.03	54.10	1469.54
FTSE SmallCap	2173.82	–0.2	2177.97	2176.95	2181.62	1940.49	3.13	1.58	25.21	60.85	1807.84
FTSE SmallCap ex IT	2176.09	–0.1	2178.36	2178.84	2180.96	1927.23	3.33	1.65	22.70	64.57	1822.76
FTSE All-Share	1963.50	–0.6	1975.88	1973.90	1965.25	1734.14	3.77	1.92	17.29	72.83	1695.00

FTSE Actuaries Industry Sectors

	Oct 29	Day's chge%	Oct 28	Oct 25	Oct 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3890.01	–0.5	3910.05	3914.27	3911.24	2877.96	3.57	1.68	21.49	128.06	1698.31
12 Extractive Industries(6)	4194.15	–0.2	4201.63	4184.14	4175.73	4008.17	3.87	2.66	12.15	182.00	1250.06
15 Oil, Integrated(3)	4023.49	–0.5	4044.98	4054.27	4053.23	2874.47	3.71	1.45	23.24	135.18	1803.08
16 Oil Exploration & Prod(15)	2893.33	–0.8	2917.99	2910.99	2900.23	1877.16	1.83	1.71	39.94	52.04	1753.16
20 GEN INDUSTRIALS(275)	2067.13	–0.4	2076.32	2069.80	2062.22	1938.27	4.08	1.78	17.47	78.13	1151.39
21 Building & Construction(34)	1215.33	–0.1	1216.94	1211.21	1211.49	898.30	3.47	1.48	24.36	38.99	1035.09
22 Building Matls & Merchs(29)	1955.09	–0.7	1968.48	1966.73	1963.47	1872.77	3.95	1.59	20.73	72.84	1007.83
23 Chemicals(25)	2450.93	–	2449.79	2456.71	2438.51	2403.17	4.14	1.45	20.85	88.14	1181.44
24 Diversified Industrials(19)	1475.80	–0.9	1489.51	1485.88	1470.38	1761.80	6.88	1.62	11.22	89.36	850.81

[illegible]

Hourly movements

[illegible]

FTSE 350 Industry baskets

[illegible]

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

[illegible]

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

POLAND (Oct 29 / Zloty)

		+/-	High	Low	Yld	P/E
Elbarm	22.20	-20	*28	8.35	0.8	...
Exbud	23	-20	*40.75	22.20	...	...
Mostl	13.50	-40	*15	6.40	...	...
Wedel	143	-3	*162.50	82	0.8	...
Wlczak	17.10	...	*25	17	1.8	...
Zywiec	117	-13	*235	130	1.7	...

PORTUGAL (Oct 29 / Escudo)

		+/-	High	Low	Yld	P/E
BCO PI	1,819	-16	2,300	1,401	5.5	...
BCPort	1,880	-7	2,250	1,675	3.2	...
BESam	2,699	+18	2,725	2,090	4.2	...
BancTA	2,759	-16	3,130	2,312	6.9	...
ModCnt	4,735	-5	4,800	3,430	1.3	...
PTelcm	3,920	-40	4,180	2,705	2.3	...
Soniny	4,475	-13	4,600	3,075	3.4	...
Unicer	2,799	-5	3,000	2,280	3.8	...

INDICES

	Oct 29	Oct 28	Oct 25	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	16596.94	16518.58	18881.85	28/5	15297.25	22/8
Australia							
All Ordinaries(1/1/80)	2323.0	2334.1	2335.2	2377.80	24/10	2088.10	17/7
All Mining(1/1/80)	946.5	953.9	955.9	1118.80	8/5	923.10	23/9
Austria							
Credit Aktien(30/12/84)	362.89	368.12	364.53	394.99	31/5	348.19	8/9
Traded Index(2/1/91)	1082.24	1076.59	1068.94	1142.51	28/5	875.27	2/1
Belgium							
BEL20(1/1/91)	1802.02	1812.01	1810.07	1829.85	3/10	1574.90	2/1
Brazil							
Bovespa(29/12/83)	(u)	64011.0	65034.0	67989.00	21/10	43901.00	2/1
Canada							
Metals Mnls(1975)	(u)	5205.25	5225.73	5626.80	8/5	4657.47	15/1
Composite(1975)	(u)	5553.36	5549.80	5576.20	23/10	4739.78	15/1
Portfolio(4/1/83)	(u)	2747.69	2748.89	2772.77	23/10	2327.39	12/1
Chile							
IPA Gen(31/12/80)	(u)	5432.53	5443.47	5804.33	8/1	5215.28	8/4
Denmark							
Copenhagen SE(3/1/83)	445.46	448.52	447.45	459.20	21/10	388.40	2/1
Finland							
HEX General(28/12/90)	2199.25	2238.66	2236.30	2285.40	22/10	1881.57	10/1
France							
SBF 250(31/12/90)	1439.71	1453.17	1456.15	1466.67	18/10	1250.16	2/1
CAC 40(31/12/87)	2125.74	2150.39	2162.43	2185.23	18/10	1887.85	11/7
Germany							
FAZ Aktien(31/12/58)	937.27	945.66	935.70	952.86	18/10	818.58	2/1
Commerzbank(1/12/53)	2727.30	2750.70	2721.50	2782.80	18/10	2370.10	2/1
DAX(30/12/87)	2673.62	2703.83	2674.22	2734.82	18/10	2284.86	2/1
Greece							
Athens SE(31/12/80)	929.11	(c)	922.58	1017.96	4/3	872.99	7/8
Hong Kong							
Hang Seng(31/7/64)	12182.77	12262.77	12388.38	12510.06	18/10	10204.87	2/1
India							
BSE Sens.(1979)	3239.94	3264.52	3250.66	4069.28	18/6	2826.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	567.75	567.27	571.33	638.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2655.16	(c)	2659.95	2780.04	4/10	2234.81	2/1
Italy							
Banca Comm Ital(1972)	608.96	616.08	613.51	674.18	20/5	572.21	27/3
MIB General(2/1/96)	1029.0	1045.0	1040.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	20958.06	20885.41	20739.97	22666.80	26/6	19734.70	13/2
Nikkei 300(1/10/82)	294.73	293.12	291.99	319.70	25/6	284.48	11/3
Topix(4/1/68)	1572.80	1564.34	1557.76	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2032.16	2030.01	2032.64	2251.48	27/	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1160.86	1162.09	1172.95	1189.54	30/4	993.18	2/1
Mexico							
IPC(Nov 1978)	(c)	3216.47	3233.28	3433.76	27/8	2736.36	8/3
Netherland							
CBS TtlRtnGen(End 83)	690.7	691.8	689.2	698.00	22/10	539.50	2/1
CBS All Shr(End 83)	399.9	405.4	404.9	408.80	22/10	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2254.48	(c)	2327.20	2367.78	21/10	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1453.36	1465.61	1457.62	1494.98	15/10	1269.88	30/1
Philippines							
Manila Comp(2/1/85)	2904.41	2852.16	2962.60	3374.40	5/7	2578.97	2/1
Portugal							
BTL 30(4/1/93)	1991.21	2000.30	1998.55	2013.16	9/10	1602.81	2/1
Singapore							
SES All-Singapore(2/4/75)	506.99	512.51	514.96	610.37	5/2	503.78	21/10
South Africa							
JSE Gold(28/9/78)	1708.0¶	1717.7	1703.9	2030.40	29/5	1348.40	2/1
JSE Ind(28/9/78)	8114.4¶	8221.2	8258.9	8739.30	25/1	7835.60	30/8
South Korea							
KoreaCompEx(4/1/80)	786.32	780.08	793.78	986.84	7/5	783.35	28/8
Spain							
Madrid SE(30/12/85)	375.03	381.58	382.80	383.41	24/10	323.75	11/1
Sweden							
AffarsvaerldenGen(1/2/37)	2152.9	2191.7	2180.7	2198.80	21/10	1706.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1775.53	1787.29	1784.46	1813.19	15/10	1516.19	17/1
SBC General(1/4/87)	1251.50	1270.61	1268.92	1285.84	15/10	1144.7	25/1
Taiwan							
Weighted Pr(30/6/66)	6359.52	6424.72	(c)	6644.88	5/10	4690.22	8/2
Thailand							
Bangkok SET(30/4/75)	924.55	931.51	938.30	1415.04	6/2	905.34	15/10
Turkey							
Istanbul Comp(Jan 1986)	(c)	(c)	82420.9	89772.30	23/10	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	758.4*	788.8	790.5	801.70	21/10	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1758.14	1775.01	1766.58	1788.46	21/10	1504.40	11/1
Euro Top-100(26/6/90)	1490.97	1501.36	1499.91	1509.85	18/10	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	366.31	360.44	392.66	18/10	344.19	2/1
MS Emrg Mkts(1/1/88)	155.88	155.88	158.27	166.91	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Oct	2136.0	2119.0	-29.5	2137.0	2118.5	27,880	16,138
Nov	2142.0	2124.0	-29.5	2142.0	2120.0	7,628	12,606
DAX							
Dec	2697.0	2684.0	-32.0	2702.0	2679.5	22,128	-
Mar	2711.5	2702.5	-28.5	2712.0	2699.5	39	-
OMX							
Nov	1730.00	1678.00	-41.00	1703.00	1672.00	5,643	27,976
Dec	1686.00	1686.00	-26.00	1686.00	1686.00	10	3,424
SOFFEX							
Nov	3747.0	3737.0	-31.1	3747.5	3725.0	4,304	21,671
Dec	3743.2	3739.0	-37.9	3743.5	3736.7	20	557

Sat Oct 26: Taiwan Weighted Price (c). Korea Comp Ex 797.32. Base values of all indices are 100 except Australia All Ordinary and ... ‡ Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

US INDICES

Dow Jones	Oct 28	Oct 25	Oct 24	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5972.73	6007.02	5992.48	6094.23 (18/10)	5032.94 (10/1)	6094.23 (18/10/96)	41.22 (8/7/32)
Home Bonds	102.81	102.72	102.77	108.88 (14/2)	100.99 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2105.57	2126.68	2137.81	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	222.75	223.31	222.89	234.80 (12/2)	204.86 (30/7)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6063.67 (6047.64) Low 5952.61 (5954.47) (Theoretical♣)
Day's high 6043.17 (6020.44) Low 5972.36 (5961.68) (Actual♣)

Standard and Poors	Oct 28	Oct 25	Oct 24	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	697.26	700.92	702.29	710.82 (18/10)	598.48 (10/1)	710.82 (18/10/96)	4.40 (1/6/32)
Industrials¶	820.70	825.21	827.72	839.55 (18/10)	702.07 (15/1)	839.65 (18/10/96)	3.52 (30/6/32)
Financial	75.14	75.49	75.24	76.09 (21/10)	58.67 (10/1)	76.09 (21/10/96)	7.13 (4/9/74)
NYSE Comp.	370.98	373.26	373.78	378.32 (18/10)	321.41 (10/1)	378.32 (18/10/96)	4.84 (25/4/42)
Amex Mkt Val	566.55	569.79	569.80	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1215.88	1222.60	1227.00	1258.10 (15/10)	988.57 (15/1)	1258.10 (15/10/96)	54.87 (3/10/74)

■ RATIOS

	Oct 25	Oct 18	Oct 11	Year ago
Dow Jones Ind. Div. Yield	2.15	2.12	2.16	2.46
	Oct 23	Oct 16	Oct 9	Year ago
S & P Ind. Div. yield	1.92	1.92	1.95	2.08
S & P Ind. P/E ratio	23.15	23.13	22.84	17.95

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Electr Data	11,748,600	41	-5¾
AT & T	6,601,800	35⅜	-½
Mercury Fin	5,309,100	10⅛	-2
CWM Mtg	4,578,100	20⅝	-¼
ADT	3,534,700	19⅞	+½
John & John	3,114,200	47⅝	+½
Micron Tech	3,060,300	27¼	-1
Ph Morris	2,681,500	93	+½

■ TRADING ACTIVITY

● Volume (million)

	Oct 28	Oct 25	Oct 24
New York SE	378.775	364.980	415.019
Amex	18.189	16.979	18.728
NASDAQ	514.377	564.384	553.533
NYSE			
Issues Traded	3,249	3,239	3,237
Rises	872	1,159	1,119
Falls	1,540	1,157	1,206
Unchanged	837	923	912
New Highs	124	102	108
New Lows	47	37	55

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Dec	700.00	701.00	+0.65	703.35	698.60	80,161	176,322
Mar	709.30	707.40	+0.65	709.30	707.30	381	5,742
	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Dec	20880.0	20940.0	-30.0	21070.0	20880.0	16,918	210,946
Mar	20940.0	21040.0	+130.0	21040.0	20840.0	21	12,310

Open interest figures for previous day.

NORTH AMERICA

CANADA

TORONTO (Oct 29 / Can $)

4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, October 29, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Yuken Kogyo	8.5m	674	-16	Toshiba Corp	2.7m	730	-5
NEC Corp	3.8m	1240		Kawasaki Steel	2.6m	359	+1
NKK Corp	3.8m	285	+1	Toyo Ink Mfg	2.6m	580	+5
Sumitomo Mtl Ind	3.4m	318	+6	Honda Motor	2.5m	2730	+30
Nippon Steel Cp	3.1m	337	+3	Toyota Motor	2.4m	2730	+30

4 pm close October 29

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27	17¾	AAR x	0.48	1.8	23	143	26⅞	26	26⅞	+¼
48⅛	33¾	AMP	1.00	2.9	17	13558	34⅛	33⅞	34⅛	+⅛
97½	68	AMR			16	4839	81⅞	80⅞	81¼	-⅛
50½	37⅜	ASA	2.00	5.2	25	517	38¾	38½	38½	-⅝
53⅛	38⅛	AbbtL	0.96	1.9	21	7309	50⅝	49⅝	50⅝	+1
17¼	12¼	Abitibi Pr	0.40	2.9	7	757	13⅞	13½	13⅞	+⅜
20¾	13½	ABM Ind	0.35	2.0	17	144	17¼	16⅝	17⅛	+⅛
21	13⅞	Acptncein			41	29	19¾	19⅝	19¾	
57¼	37¾	ACE Ltd	0.56	1.0	13	1012	53¾	53⅛	53⅝	+¼
10¼	9⅛	ACM Gvt In	0.48	4.7	8	65	u10¼	10⅛	10¼	+⅛
7⅞	6⅝	ACM GvOpp	0.57	8.1		12	7⅛	7	7	
9⅝	8⅜	ACM Man	0.90	9.4		198	u9⅝	9½	9⅝	+⅛
13⅞	6⅛	Acme Elect	0.32	4.1	129	92	8⅛	7¾	7¾	-¼
18⅞	13⅞	Acme Mills			13	118	u18⅞	18½	18⅝	-⅛
33¾	27¾	Acordia	0.72	2.4	15	28	29¾	29¾	29¾	-¼
21⅝	12	Acuson			98	3004	20⅞	20¼	20⅝	-⅜
20⅜	17⅞	Adams Expr	0.48	2.4	1	127	20⅛	20	20	
21¼	10¼	AdvMic			181	1245	18⅛	17⅝	17⅞	
11⅛	8½	Advest Grp	0.16	1.8	6	36	9⅛	9	9⅛	+⅛
28⅛	9⅛	Advo Inc	0.10	0.7	108	219	14⅛	14	14⅛	+¼
53⅞	41⅛	Aegon	1.45	2.8	16	44	52⅝	52⅜	52⅝	-¼
6¾	3½	Aerlfx			2	46	4⅜	4¼	4⅜	
70⅞	57⅝	Aetna x	0.80	1.3	8	8577	64⅛	62⅛	63½	+1⅛
39⅞	28¼	AffCp	0.40	1.0	16	2888	u39⅞	39	39¾	+½
21⅛	17⅛	AGL Res	1.06	5.1	17	308	21	20⅝	20¾	
30⅞	21¼	Ahmsn	0.88	2.9	53	1628	30⅛	29½	30	+⅝
62⅛	50⅝	AirPrC	1.10	1.8	15	2370	59⅝	58¼	59½	-¼
28⅞	19⅝	Airbne Frt	0.30	1.5	14	1865	20⅜	19⅞	20	+⅛
25½	15½	Airgas Inc			35	698	23	22½	22½	+⅛
18⅞	13¼	Airlease	1.80	12.1	9	38	14⅞	14¾	14⅞	
33⅝	25	AirTch			71	11204	26¾	25⅞	25⅞	-½
30¾	15⅞	Alaska Air	0.20	1.0	7	272	21¼	21	21	
22⅞	17¼	Albany Int	0.40	1.8	14	272	22½	22¼	22½	+¼
24⅛	14⅜	Albrtsl	0.28	1.8	5	272	16⅛	15¾	16	+⅛
47½	32½	AlbCulB	0.36	0.8	20	180	46	45⅛	45⅝	+⅛
40¼	29⅝	AlbCulA	0.36	0.9	17	386	40	39¼	39⅞	+½
43¾	31½	Alcan	0.60	1.7	18	8436	35⅛	34½	34½	-¼

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33¾	24	Bearings	0.64	2.4	13	22	27	26¾	26⅞	-⅛
41⅛	32	Beckman In	0.52	1.4	17	73	37¼	37	37⅛	+⅛
45½	35½	BectnD	0.46	1.1	30	4173	43½	42¾	43⅜	+½
15⅞	12⅞	BdfdProp	0.48	3.3	14	88	14⅝	14½	14½	-⅛
74⅞	55⅛	BellAtl	2.88	4.8	14	5102	60⅞	60¼	60⅝	+¼
22¼	15	Bell In	0.40	2.4	7	99	17	16⅝	16¾	-¼
45¾	35¼	BellSth	1.44	3.5	16	15907	41⅛	39¾	40⅝	+⅝
41¾	31	Belo A	0.44	1.1	20	928	38¾	38⅛	38½	+¼
37⅛	25⅝	Bemis	0.72	2.0	19	723	35¾	35¼	35¼	-⅜
67	59	Benef 4.3P	4.30	7.0		z100	61	61	61	
61¼	43⅝	Benef	2.08	3.6	12	1373	58¼	57¾	58⅛	+¼
27¾	20¾	Benetton A	0.37	1.5	15	41	24½	24½	24½	
⅞	13/32	Benguet B	0.04	9.1	21	66	7/16	7/16	7/16	-1/32
33	24⅛	BergBr	0.48	1.5	18	544	32⅛	31⅜	31⅜	-⅜
38000	29800	BerkHA			76	4	32450	32300	32400	-150
1220	990	BerkHB				8	1084	1073	1081	+3
12½	8¾	Berry Petr	0.40	3.3	17	66	12⅛	12	12⅛	+⅛
28¼	12	Best Buy			16	4144	17½	16⅛	16¼	-1
28⅛	24½	Beth St 2.	2.50	9.8		10	25¾	25⅝	25⅝	
54¾	48⅜	Bethlhm Pf	5.00	9.9		22	51¼	50¾	50¾	-¼
15⅞	7⅝	BethSt	0.40	5.0	17	5179	8⅛	7⅞	8	
53¾	40⅛	Btzbm x	1.50	3.0	21	952	50¾	50	50⅜	-½
12⅝	9¼	BevEnt			75	7187	12¼	12	12⅛	
18	14½	Birmingm S x	0.40	2.4	110	492	16½	16⅛	16½	+⅛
44¼	30¾	BlDeck	0.48	1.3	12	4478	39½	37	38¼	-1⅛
26¼	22¾	Black H PL	1.38	5.5	13	87	25⅜	24¾	25¼	+⅜
9⅛	8	BlckrckAdv	0.62	7.2		649	8⅝	8⅜	8⅝	+¼
6⅞	5⅞	BlckrckInc	0.56	9.0		431	5⅞	6¼	6¼	
9	8⅜	BlckrckTgt	0.57	6.6		386	8¾	8⅝	8¾	+⅛
42⅛	23⅝	Block	1.28	5.2	22	4564	25⅛	24⅝	24¾	-⅛
35⅞	25⅜	Blount A	0.51	1.5	12	280	35	34½	34¾	-¼
9⅝	7½	Blue Chip	0.12	1.2		60	u9⅝	9½	9⅝	
4¾	2⅞	Bluegreen			100	66	3⅛	3	3	-⅛
32⅜	19¾	BMC Ind	0.05	0.2	26	583	30⅛	29¼	29⅜	-⅝
99¼	74¼	Boeing	1.12	1.2	30	8009	94⅝	93½	93½	-⅛
47¼	30⅛	BoiseC	0.60	1.9	46	3578	31¾	30⅞	31½	+¼
11⅞	4⅝	Bombay Co			37	228	5⅜	5¼	5¼	

Continued on next page

NYSE PRICES

4 pm close October 29

Continued from previous page

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Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¢ Dealings suspended.

AMEX PRICES

4 pm close October 29

[illegible]

NASDAQ NATIONAL MARKET

4 pm close October 29

[illegible]

Banks soar, taking lead from bonds

AMERICAS

US shares were mixed at mid-session as strength in the bond market helped to lift large companies while the technology-rich Nasdaq composite continued the sell-off seen in recent sessions, writes Lisa Bransten in New York.

Bonds soared on news that employment costs advanced less in the third quarter than most economists had expected and that consumer confidence fell sharply in October. By early afternoon, the long-bond yield was at 6.71 per cent, its lowest level since early April.

Falling bond yields helped the Dow Jones Industrial Average add 42.49 at 6,015.22 by 1 pm. The Standard & Poor's 500 rose 4.85 at 702.11, while the American Stock Exchange composite was 0.12 weaker at 566.43. NYSE volume was 255m shares.

Interest-rate sensitive banks soared as bond yields fell. Citicorp added $2¼ at $97⅛, Chase Manhattan $1⅞ at $84⅞ and JP Morgan $1⅞ at $85⅞.

Technology shares, meanwhile, continued to give back some of the strong gains made between August and the middle of this month. In early afternoon trade the Nasdaq composite, about 40 per cent of which is in technology shares, was off 5.9 at 1,210.70 and the Pacific Stock Exchange technology index was 0.4 per cent weaker.

Several computer makers saw sharp losses. Compaq computer fell $2¼, or 3 per cent, at $68⅛ and Dell Computer $2⅝, or 3 per cent, at $78⅝. Gateway 2000, however, rose $1¼ at $48⅛.

CompUSA, a large computer retailer, saw shares slip $4⅜, or 8 per cent, at $52⅞ after an analyst at Salomon Brothers warned conditions could turn against the company. CompUSA is expected to report quarterly results today.

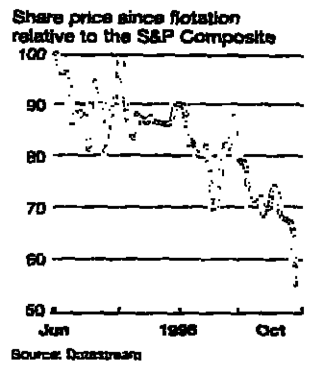
Elsewhere, Donna Karan, the US fashion company which went public this summer, tumbled $2⅞, or 15 per cent, to $15⅞ after reporting disappointing third-quarter results and forecasting further weakness in the current quarter. The shares were sold in July for $24 each and jumped to $28 in first-day dealings. The company said it was exploring the possible sale of its beauty division, which had weaker than expected sales in the third quarter and posted a loss in the period.

TORONTO was held back by a weak gold sector and profit-taking after its strong performance since the start of September and the TSE-300 composite index was 11.36 weaker by mid-session at 5,542.00 in hefty volume of 52.8m shares.

Bre-X Minerals lost 25 cents to C$34 as investors digested news that the gold prospector had struck a deal with a company controlled by the son of Indonesia's President Suharto to resolve a dispute over its huge Busang discovery.

Rate-sensitive issues gave up some of their recent gains. Bank of Nova Scotia fell 15 cents to C$41.05.

Donna Karan



Sao Paulo up 1.7%

Better than expected export figures drove SAO PAULO 1.7 per cent higher at mid-session. Government figures showed that exports averaged $224.6m a day in the fourth week of October, up from $168.8m in the previous week and sharply above market expectations of around $190m.

The Bovespa index rose 1,087 to 65,098, also helped by the day's US economic data and with investors overlooking reports that Brazil's $750m global bonds, launched on Monday, had received a lukewarm reception from US investors.

Telebras rose 1.9 per cent, recovering from substantial losses last week.

MEXICO CITY was unnerved by the prospect of primary interest rate rises later in the day and the IPC index was 34.35, or 1.1 per cent, lower by mid-session at 3,182.12.

Weaker rand hits S Africa

Heavy futures-related trade pushed industrials and golds to a weaker close, fuelled by concern at a struggling rand which tested another all-time low against the dollar.

Dealers said that foreigners were absent from the market because of the effects of currency devaluation and speculation that the rate could reach five rand to the dollar by end of the year.

The overall index fell 96.3 to 6,868.0, industrials dropped 106.8 to 8,114.4 and golds slipped 11.7 points to end at 1,706.0.

Malbak, the diversified industrial conglomerate, rose 30 cents to R21.80 following Monday's better than expected annual results and the release of further details of the group's intended unbundling which, the company said, could add 15 per cent in value for shareholders.

De Beers lost 375 cents to R133.25 and First National fell 140 cents to R25.90.

Rate forecast sends Europe into retreat

EUROPE

A heavily qualified forecast from six German economics institutes put the cat among the pigeons yesterday. The institutes' report said that the Bundesbank's next interest rate move just might be upwards. While neither strategists nor investors believed a rate rise was just around the corner, there was a feeling that bourses were high, vulnerable and sensitive to talk of an autumn shakeout.

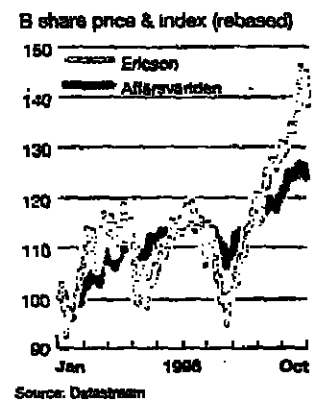
STOCKHOLM exemplified the state of continental sentiment with Ericsson Bs tumbling SKr9, or 4.8 per cent, to SKr180, although the telecommunications group's nine-month report matched market expectations with a 30 per cent rise in profits.

Dealers said that Ericsson had simply become expensive after a rise of SKr40 since its previously quarterly report.

Another index heavyweight Astra saw its A shares fall SKr7 to SKr303 on news that the pharmaceuticals group had made a deep, but limited price cut in its ulcer treatment drug Losec in the Danish market.

The Affärsvärlden General index fell 35.8, or 1.8 per cent, to 2,151.9. Shares which withstood the downtrend included Handelsbanken, up SKr0.50 at SKr162 on nine-month figures which conformed to market forecasts, and Orrefors, the glassmaker, which received a bid worth SKr155 a share and rose SKr12 to SKr152.

Ericsson



FRANKFURT took the interest rate worries on board and saw a further weakening in the dollar, DM1.509 at the close of Ibis trading compared with over DM1.51 less than two weeks before.

This demolished the exporter-led element in the rally which, taking in international enthusiasm for corporate restructuring prospects, had lifted the Dax index through 2,700 yet again on Monday. The key index fell 27.83 to an Ibis-indicated 2,675.50. Turnover was moderate at DM7.4bn.

However, at the end of the day, the setback hit exporters and domestically oriented stocks alike. BMW and Daimler dropped DM9.90 to DM890 and DM1.11 to DM88.74 and the international pharmaceuticals group Schering fell by DM2.35, or 1.9 per cent, to DM122.45.

The big retailer Metro shed DM2.85, or 2.2 per cent, to DM126.35 and RWE, the utility group, lost DM1.14, or 1.8 per cent, at DM61.76.

PARIS fell 1.15 per cent on weakness in the dollar and bonds and on German interest rate concerns. The CAC-40 index closed 24.65 lower at 2,125.74.

The promise of a public debate on the Thomson privatisation by the prime minister Mr Alain Juppé weakened the winner of the bid battle, Lagardère, which closed FFr3.50, or 2.3 per cent, lower at FFr151. However, the loser, Alcatel Alsthom, fared even worse with a fall of FFr13.40, or 3 per cent, to FFr430.

Renault fell FFr3.40 to FFr112.1, extending its weakness since last week's report which signalled difficulties in its truck motor collaboration with Germany's MAN.

Sanofi fell FFr15 to FFr446 after it said it was removing its Trancopal muscle relaxant from the market and had notified doctors that the drug had caused side effects.

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Oct 29 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1762.63	1761.76	1761.85	1761.00	1757.63	1759.20	1758.45	1758.14
FTSE Eurotrack 200	1819.60	1813.55	1814.36	1812.59	1810.38	1813.28	1812.04	1812.44

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22
FTSE Eurotrack 100	1775.01	1786.58	1772.46	1777.80	1786.23
FTSE Eurotrack 200	1832.23	1821.67	1820.24	1829.37	1843.38

Base value 1000 (26/10/90); High/day: 100 - 1762.93, 200 - 1819.67 Low/day: 100 - 1756.30 200 - 1809.51 † Partial.

Among the winners, the retailer Casino rose FFr6 to FFr236.50 on renewed merger speculation and Pernod Ricard put on FFr5.60 at FFr274.60 on reports that UDF party representatives in the ruling conservative coalition were challenging a planned 17.1 per cent tax increase on spirits.

ZURICH's pull-back took the SMI index down 31.5 to 3,732.0.

Adia tested an intraday record high of SFr368 before easing back to close SFr2 ahead at SFr365.

Analysts said that third-quarter results from Manpower in the US, which showed a particularly strong performance in its French operations, had raised expectations for the Swiss company's nine-month figures, due on Friday.

UBS lost SFr19 to SFr1,221 overlooking otherwise satisfactory nine-month results and concentrating instead on news that provisions would remain high.

Roche certificates fell SFr95 to SFr9,520, leading the sector down in response to losses in US pharmaceutical stocks.

The recently volatile SMH lost SFr10 to SFr782 on profit-taking.

Against the trend, Danzas jumped SFr40 to SFr1,370 on speculation about the company's continuing restructuring.

MILAN was weak on losses in the lira and a dip in bonds and was pulled lower for much of the day by losses in Eni, the energy holding company.

The Comit index lost 9.13 to 606.96 while the real-time Mibtel index picked up from a low of 9,623 to close 106 weaker on the day at 9,682.

Early weakness in Eni was attributed to the market's difficulties in absorbing the L7,700bn placement which closed last Friday, while some analysts also blamed arbitrage between the new and old shares. Late in the day, the stock turned round on short-covering, picking up from a low of L7,070 to close L44 higher at L7,234.

Banking and insurance sectors posted another losing session with Generali down L532 to L29,428 while Alleanza lost L295 to L10,854.

AMSTERDAM featured weakness in DSM, Philips and Royal Dutch, as the AEX index fell 9.40, or 1.6 per cent, to 581.75.

DSM brought in lower than expected third-quarter earnings, said results would remain under pressure in the fourth quarter and fell Fl 5.10 to Fl 161.50. Philips reversed gains posted last week after tough talk from its new chairman, Mr Cor Boonstra, falling Fl 2.10 to Fl 59.20. A Fl 4.40 drop to Fl 286.90 in Royal Dutch was attributed to profit-taking after a strong run-up since early September.

MADRID saw early strength in Telefónica trimmed by a Goldman Sachs downgrade based on its high share price. The stock closed Pta5 higher at Pta2,640 as the general index fell 2.65 to 379.03. Tabacalera fell Pta400 to Pta4,600 on talk that Philip Morris of the US would win the bidding for Tabaqueira of Portugal.

Written and edited by William Cochrane and Michael Morgan

Manila rebounds as yen spurs Tokyo exporters

ASIA PACIFIC

A technical rebound after six straight days of losses took MANILA higher on the view that many shares were oversold. At the same time, heavy selling pressure on PNB eased slightly.

The composite index, down 3.7 per cent on Monday, closed 52.25, or 1.8 per cent, higher at 2,904.41, lifted by a 2 peso rise in Ayala Land B to its day's high of 27.50 pesos.

PNB slid another 12.50 pesos to 300 pesos in response to its scaled-down 1996 profits target and the conversion of PNB warrants in December.

TOKYO closed moderately higher on strong buying by domestic institutions, although foreign investors stepped up their selling on concerns that the weakening yen was depressing the value of their Japanese equity holdings, *writes Gwen Robinson.*

The Nikkei 225 average rose 76.87 to 20,958.08 after moving between 20,919.64 and 21,054.90. The Topix index of all first-section stocks climbed 7.86 to 1,572.80 and the capital-weighted Nikkei 300 was up 1.61 at 294.73.

Volume edged back up to an estimated 258m shares, after plunging to 198m on Monday. Advances led declines by 677 to 344 with 195 unchanged.

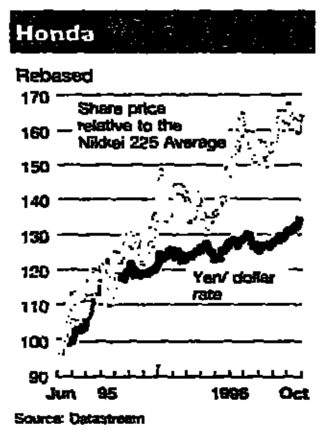
In London, the ISE/Nikkei 50 index rose 1.65 to 1,427.71.

The dollar's rally continued to drive export-oriented stocks, particularly leading carmakers.

The latter will shortly announce their interim earnings and are expected to raise their full-year profit forecasts substantially in what is, for them, a favourable exchange rate situation.

However, there were anxieties about the extent and speed of the US currency's gains and their potential effect on import-dependent Japanese companies and those with large overseas operations.

Honda



Net selling by foreign investors on concerns about the Japanese economy and the weak yen slightly dampened the effects of brisk buying by domestic institutional investors.

Securities analysts also noted that some US mutual funds were planning to unwind their Japanese equity holdings in the month to come.

Meanwhile, financial institutions and securities companies chased export-oriented blue chips, while trust fund managers placed large-lot, index-linked buy orders.

Toyota Motor, scheduled to announce interim profits next week, climbed Y30 to Y2,730 and Honda by Y30 to Y2,730. *Car parts makers* benefited from the interest in car issues, with Bridgestone advancing Y20 to Y1,950.

High-tech stocks also drew strong buying interest, with *Matsushita Electric* Industrial rising Y30 to Y1,850. However, electronics makers were sold heavily by foreign investors, leaving NEC and Sony unchanged at Y1,240 and Y8,980 respectively.

In Osaka, the OSE average gained 128.42 to 21,496.38 in volume of 16.50m shares.

SEOUL was marked 1.8 per cent down on continuing concerns of a supply and demand imbalance next month.

Analysts noted that between Won200bn and Won300bn in margin loans would have to be paid back in November. At the same time, an estimated Won700bn to Won1,200bn of new share supply was expected next month from initial public offerings and rights issues.

The composite index finished 3.76 lower at 766.32.

WELLINGTON returned to work after a long weekend break, adding to Friday's 1 per cent drop with another of 1.4 per cent amid uncertainty over the earnings outlook for Telecom, the persistently strong currency, foreign selling and weakness in the paper industry. The NZSE-40 Capital index fell 32.72 to 2,294.48 as Telecom slid 9 cents to NZ$7.15.

TAIPEI lost 1 per cent as the market's recent sluggish performance prompted investors to shift funds elsewhere. The weighted index lost 65.05 to 6,359.67 with financials hardest hit as funds were redirected to the recently strong over-the-counter market.

Against the trend, some electronic shares found late demand.

HONG KONG was weak for a fourth straight session on profit-taking – most notably in HSBC Holdings – and futures-related activity. The Hang Seng index finished 70.60 down at 12,192.17 in turnover of HK$5.5bn.

HSBC Holdings led the market down with a loss of HK$2 to close at HK$154.50 in active turnover of HK$376.9m. Its subsidiary, Hang Seng Bank, was marked down HK$1 to HK$89.75.

SINGAPORE saw further heavy selling of the foreign tranche of SIA, the national carrier, on a pessimistic view of its future earnings prospects and as brokers still advised clients to avoid the stock; SIA foreign lost 50 cents at S$12.50 as the Straits Times Industrials index eased 5.87 to 2,061.98.

KUALA LUMPUR recouped some of its early losses, leaving the composite index to close 1.24 weaker at 1,160.65. YTL fell 10 cents to M$14.40 ahead of news, after the market closed, that the infrastructure developer had withdrawn its bid to acquire a controlling interest in Hong Kong power utility Cepa.

BANGKOK was weak for the fourth consecutive session, depressed by talk that some property developers faced cashflow problems. The SET index lost 6.95 at 924.56.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY OCTOBER 28 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY OCTOBER 25 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	211.31	−0.2	194.33	152.60	167.02	177.64	−0.1	4.28	211.85	195.80	151.84	167.79	177.92	216.14	179.98	180.50
Austria (24)	181.25	0.9	166.69	130.89	143.26	143.15	0.7	1.97	179.56	165.96	128.70	142.21	142.11	195.04	168.36	168.94
Belgium (27)	221.03	0.2	203.26	159.61	174.69	170.61	0.0	3.91	220.56	203.85	158.08	174.68	170.64	221.99	193.45	194.04
Brazil (28)	179.84	−1.1	165.39	129.87	142.14	340.37	−1.0	1.60	181.84	168.07	130.33	144.02	343.79	189.70	123.97	136.93
Canada (116)	180.12	0.3	165.64	130.07	142.36	175.33	0.3	2.05	179.57	165.97	128.70	142.22	174.75	180.93	135.84	135.84
Denmark (30)	333.04	0.5	306.28	240.51	263.23	264.17	0.3	1.74	331.38	306.28	237.49	262.44	263.38	336.30	276.89	282.29
Finland (23)	220.19	0.4	202.49	159.01	174.03	210.37	0.2	2.37	219.25	202.64	157.14	173.65	209.86	229.99	171.73	223.96
France (93)	201.78	−0.1	185.57	145.72	159.49	162.49	−0.3	2.99	202.03	186.73	144.80	160.01	163.00	202.03	167.70	169.95
Germany (58)	181.65	1.3	167.05	131.18	143.57	143.57	1.1	1.73	179.31	165.72	128.51	142.01	142.01	181.65	155.66	155.66
Hong Kong (58)	458.08	−1.1	421.27	330.81	362.06	454.73	−1.1	3.36	463.23	428.14	332.01	366.88	459.84	470.59	354.67	372.41
Indonesia (27)	203.35	−1.0	187.01	146.85	160.72	290.37	−0.9	1.74	205.34	189.78	147.17	162.63	293.16	–	–	–
Ireland (16)	312.73	0.6	287.60	225.84	247.18	271.09	0.0	3.32	310.96	287.40	222.87	246.28	271.09	313.15	241.27	241.86
Italy (58)	77.26	−0.5	71.05	55.79	61.06	87.80	−0.6	2.36	77.65	71.77	55.65	61.50	88.30	84.53	67.22	70.57
Japan (480)	138.40	−0.3	127.28	99.94	109.38	99.94	0.5	0.77	138.81	128.30	99.49	109.94	99.49	164.68	137.75	137.75
Malaysia (107)	578.90	−1.2	532.38	418.06	457.55	560.17	−1.0	1.18	586.17	541.76	420.12	464.24	565.81	587.74	425.77	471.68
Mexico (27)	1170.46	−0.2	1076.41	845.25	925.11	10086.76	−0.9	1.36	1172.32	1083.51	840.23	928.47	10177.17	1325.65	791.89	916.50
Netherland (19)	314.85	0.7	289.55	227.37	248.85	245.05	0.5	3.01	312.69	289.00	224.11	247.65	243.87	314.85	251.81	251.81
New Zealand (15)	91.07	0.3	83.76	65.77	71.98	68.56	0.0	4.00	90.82	83.94	65.10	71.93	68.56	94.35	75.94	81.20
Norway (35)	266.77	1.2	245.33	192.65	210.85	232.49	0.7	2.18	263.68	243.70	188.98	208.83	230.81	266.77	222.24	225.89
Philippines (22)	180.14	−4.1	165.66	130.09	142.38	236.92	−4.0	0.67	187.78	173.56	134.59	148.72	245.89	–	–	–
Singapore (43)	383.03	−0.4	352.25	276.61	302.74	250.15	−0.4	1.11	384.72	355.57	275.73	304.69	251.13	465.21	361.94	369.60
South Africa (44)	334.86	−1.3	307.95	241.82	264.67	341.43	−0.4	2.25	339.27	313.57	243.16	268.70	342.79	437.78	314.20	358.68
Spain (37)	189.37	−0.2	174.16	136.76	149.68	183.64	−0.4	3.20	189.75	175.37	136.00	150.28	184.32	190.09	145.25	146.25
Sweden (48)	400.14	0.8	367.99	288.96	316.26	389.74	0.6	2.20	396.90	366.83	284.47	314.34	387.40	400.14	294.19	306.05
Switzerland (37)	244.50	0.3	224.85	176.56	193.25	191.03	0.1	1.55	243.77	225.30	174.72	193.07	190.77	254.34	219.07	219.07
Thailand (45)	116.25	−0.8	106.91	83.95	91.88	115.16	−0.8	2.98	117.24	108.36	84.03	92.85	116.06	193.95	112.17	157.39
United Kingdom (213)	261.17	0.6	240.18	188.61	206.42	240.18	0.1	3.93	259.63	239.96	186.08	205.63	239.96	261.17	222.29	222.99
USA (623)	283.35	−0.6	260.58	204.62	223.95	283.35	−0.6	2.10	284.97	263.38	204.24	225.69	284.97	289.37	237.50	237.50
Americas (784)	259.48	−0.5	238.62	187.38	205.08	218.12	−0.5	2.09	260.85	241.08	186.95	206.59	219.28	264.65	216.18	216.18
Europe (718)	225.29	0.5	207.19	162.69	178.07	193.91	0.2	2.96	224.16	207.18	160.66	177.54	193.53	225.29	191.44	191.44
Nordic (136)	339.67	0.8	312.37	245.29	268.47	291.08	0.5	2.15	337.13	311.59	241.63	267.00	289.57	339.67	261.13	278.09
Pacific Basin (876)	154.32	−0.4	141.92	111.45	121.97	112.40	0.2	1.25	154.98	143.24	111.08	122.74	112.19	177.01	148.86	148.86
Euro-Pacific (1594)	183.78	0.1	169.01	132.72	145.26	143.12	0.2	2.13	183.69	169.78	131.66	145.48	142.85	190.57	166.51	166.51
North America (739)	277.20	−0.5	254.93	200.18	219.10	276.27	−0.5	2.10	278.66	257.55	199.72	220.70	277.72	282.57	231.22	231.22
Europe Ex. UK (505)	201.22	0.5	185.05	145.31	159.04	166.85	0.3	2.39	200.31	185.14	143.57	158.65	166.42	201.22	170.51	170.51
Pacific Ex. Japan (396)	294.61	−0.9	270.93	212.75	232.85	254.44	−0.8	2.92	297.17	274.66	212.99	235.36	256.41	299.79	243.59	252.75
World Ex. US (1809)	185.70	0.0	170.78	134.11	146.78	148.18	0.2	2.12	185.68	171.59	133.06	147.04	147.93	191.55	167.36	167.36
World Ex. UK (2219)	211.94	−0.3	194.91	153.05	167.51	181.79	−0.2	1.91	212.62	196.52	152.39	168.40	182.12	218.41	185.61	185.61
World Ex. Japan (1952)	257.42	−0.2	236.73	185.89	203.46	242.59	−0.3	2.44	257.98	238.43	184.90	204.31	243.32	260.37	217.28	217.28
The World Index (2432)	216.15	−0.2	198.78	156.10	170.84	187.04	−0.1	2.11	216.66	200.24	155.28	171.59	187.32	220.11	188.87	188.87

 CONSTITUENT CHANGE WITH EFFECT 1/11/96: Addition Kemira Oy (Finland) (Large Cap) (40.9% weighting). Latest prices were unavailable for this edition. MARKETS CLOSED 28/10/96: Ireland & New Zealand

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